## The COMMERCIAL and 1954 FINANCIAL CHRONICLE

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#### **EDITORIAL**

## We See It

There has been much talk of late about a "widening breach" between Britain and the United States concerning international policies in general and attitudes toward the Kremlin and its associates in particular. As is usual in such cases, the tendency of the general public is to interpret the situation in strictly contemporaneous terms. Explanations are sought in what is taking place in the world at the moment, and to find motives in very particularistic situations now existing. Appraisal of the alleged state of affairs is likewise in terms which might almost be defined as tactical rather than strategic. All this is natural enough, and it undoubtedly has its place in sizing up accurately and realistically what is going on today.

The drift of world affairs and the meaning of whatever differences have arisen between the Churchill government in Britain and the Administration will, however, be much better understood if they are also viewed in historical perspective. These things have their roots deep in the events of the past. Some commentators have already been citing the efforts of then Secretary of State Stimson to persuade Britain to take bold steps when Japan went into China in 1931. Within limits a parallel exists, of course, and possibly something is to be gained by linking the two in current discussion.

The point, though, will be badly missed if the fact is not recognized that the 1931 situation and that which now obtains have a common basic cause. It is important that that cause be clearly grasped if we are to acquire a full understanding of what is now taking place. Secretary Stimson

## **British and American Economic Progress**

By WINTHROP W. ALDRICH\*

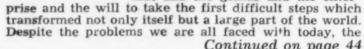
U. S. Ambassador to Great Britain Formerly Chairman of Chase Nat'l Bank of New York

Stressing the mutual economic interests of Great Britain and U. S., Ambassador Aldrich reviews British export progress, and calls attention to the Randall Report as indicating liberalization of American import policies. Points out there is no likelihood of a serious business recession in U. S., and holds the economies of free nations have been strengthened. Sees no cause for concern by British exporter either on the score of government action or because of the state of U. S. economy. Concludes vital factor in security of free world is the British and American unity.

BIRMINGHAM, England.—This city has always had a particular significance for us in America. For the industrial revolution, to which Birmingham contributed

so much from the days of Matthew Boulton and James Watt, was a key factor in the rapid transformation of America into a great industrial

I am sure that American industry generally is profoundly grateful to Birmingham in particular, and to the other important industrial centers of Britain which did the difficult pioneering work in the world's industrial development. There is a common saying that "the first hundred years are the hardest." There is no doubt which country went through those first hundred years of industrial progress. It was Britain that had the genius and the enter-



PICTURES IN THIS ISSUE—Candid shots taken at the 19th Annual Meeting of the Texas Group of the Investment Bankers Association of America at Dallas, Texas, May 9 to May 11, appear in the Pictorial Section starting on page 23.

## Has the Bottom of the Recession Been Reached?

By SUMNER H. SLICHTER\* Lamont University Professor, Harvard University

Dr. Slichter, in revising his previous predictions slightly, now finds that bottom of the recession may have been reached in the first quarter of 1954 and the reduction in inventories during the second quarter will probably be less than in previous quarter. Gives data on recent business development, and lists as striking aspects of current recession: (1) failure of prices to drop; (2) steadiness of capital outlays. Stresses technological research as factor in optimism on intermediate outlook.

### Introduction

Signs are multiplying that the decline in business has been flattening out. Indeed, the movement of business has become so horizontal that it is difficult to judge whether the movement is upward or downward. It is

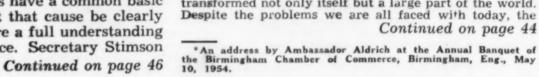
> quite possible that the bottom of the recession is behind us, not ahead of us. As recently as a month ago, I ventured the prediction that business would begin turning up sometime in the third quarter of this year. That view may turn out to be correct, but there is a strong probability that my prediction of a month ago will turn out to have been too pessimistic.

My remarks will be divided into four principal parts. In the first place, I wish to examine the evidence that the decline in business is flattening out. In the second place, I wish to analyze briefly the nature

of the recession which, I think, has been quite generally misunderstood. In the third place, I wish to analyze specifically the question of whether

Continued on page 48

\*An address by Prof. Slichter before the Wine and Spirits Whole-salers of America, Washington, D. C., May 24, 1954.



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(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

TODD G. ALEXANDER

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Argus Cameras, Inc.

In recent years the name 'Argus" has come up very much in the camera world. The company's line is limited so that

great attention, both merchandising and manufacturing, can be given each product. quality High standards are maintained throughout the line. The price range of its cameras varies from \$14.95 to \$84.50 and each item is in a strong



competitive position with those offered by other manufacturers. The cameras presently manufactured are for either 35 mm or 620 size film, but most emphasis is placed on the 35 mm cameras. The company also manufactures 300 watt blower-cooled slide projectors for projecting 35 mm film.

The "Argus C3" 35 mm camera believed the largest selling 35 mm camera in the world; over one and a quarter million have been sold. It retails at \$66.50, has an f3.5 lens, built-in flash synchronizer, and gear-controlled shutter with speeds up to and wide angle lenses are available at \$57.50 each for this camera. The "Argus A4" 35 mm camera, introduced early in 1953, retails at \$32.50. It has an f3.5 lens, shutter speeds up to 1/200 second, double exposure preventor, a picture-window view-finder, and built-in flash synchronizer. Other products are the 35 mm "Argus C4" with an f2.8 lens, retailing at \$84.50, the 620 size "Argus 40" at \$37.95, and the 620 size "Argus 75" at \$14.95 and "Super 75" at \$22.50. The Argus projectors, retailing at \$48.50 and \$66.50, outsell all other projectors of their type. All of Argus' prodducts are in the still camera field; it has no movie camera or motion picture projector. The company has an active research and development program and it is likely that new model still cameras and eventually a movie camera and motion picture projector will be introduced.

The company got into the optical lens business during World War II and today is recognized as one of the best lens makers in the industry. Argus manufactures practically all of its own lenses and does a considerable amount of military business, principally in optical instruments such as are found on gunfire control devices and telescopes used in night operations in tanks and other military vehicles. This equipment is highly technical and is built to extremely high precision standards. New electronic types of gunfire control systems management's leadership the will not interfere with the company's military business as this new equipment has standby optical instruments in case of elec-

tronic failure. on the West Coast, are sold direct ally. In Metropolitan New York Stock Exchange.

and on the West Coast they are sold through distributors. The two largest mail order houses, Sears-Roebuck and Montgomery Ward, also carry the Argus line. Discounts to dealers are somewhat more generous than those offered by Eastman Kodak. A continuous and strong effort is made by the management to get its line into more retail outlets and notable progress has been made in this direction. Within the past year, the company signed an agreement with the Druggists Supply Corporation which serves 161 wholesale drug companies throughout the United States. These wholesalers in turn serve 47,000 retail drug stores. Under the agreement, the Argus Camera line is being made available to these drug stores and over a period of time it should become a highly effective new sales outlet for Argus cameras. Druggists Supply is enthusiastic about its new association with Argus and intends to push hard the Argus line. Argus reserves the right to sell direct to the national drug

The company budgets about 5% of its sales to national advertising and promotional activities, in addition to which a considerable amount is spent on point-of-sale merchandising. Its program has been outstandingly effective.

Argus Camera's management is among its more important assets. All the officers are young, energetic, extremely able and completely devoted to promoting the company's profitability. The present management was installed 1/300 second. Separate telephoto in 1949, prior to which time the company's record was unimpressive. Since 1949, Argus has made outstanding progress from both a sales and an earnings standpoint. Sales have increased steadily from \$5.3 million in 1950 to \$19.4 million last year. The profits progress, however, has been hidden under the burden of excess profits taxes. In each of the past three fiscal years ending July 31, the company's tax rate has been well in excess of 70%; but income before taxes expanded from \$1.90 per share in 1950 to \$7.65 in 1953, or over four times. Net income after taxes has not quite doubled-from \$1.05 to \$1.96 per share on the 406,917 outstanding common shares.

> In the current fiscal year, sales should rise to a new high of over \$22 million, and earnings, despite \$1 per share of excess profits tax payments, should amount to at least \$3 per share. Dividend payments have been modest and at the present rate amount to only 60 cents annually. The great improvement in the company's financial position, which has been experienced under the present management, should soon permit a more reasonable payout of earnings.

New cameras and projectors, both still and motion picture, will undoubtedly be introduced and should further enhance materially the company's sales and earnings potential. There are strong indications that under the present company has grown at the ex- stock of Schering is selling at a pense of its competitors and, with the small, compact and highly efficient organization which the Argus products, except in the Argus management has built, conMetropolitan New York area and tinued growth should be easily all of its patents issued or applied tinued growth should be easily to dealers throughout the United states, Canada, and internation—stock is listed on the American pany's opinion, will be resolved

This Week's Forum Participants and Their Selections

Argus Cameras, Inc. - Todd G. Alexander, Auchincloss, Parker & Redpath, N. Y. C. (Page 2) Schering Corporation—George C. Astarita, Boettcher & Co., Colorado Springs, Colo. (Page 2) Reaction Motors Company

Stephen J. Sanford, Manager of Investors' Research Dept. Amott, Baker & Co., Inc., New York City. (Page 42).

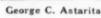
GEORGE C. ASTARITA Boettcher & Co.,

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**Schering Corporation** 

The security I like best is Schering Corporation. As the result of new product development, pharmaceutical companies pos-

sess a large growth factor. Schering Corporation is no exception to the rule. Its growth has been rapid in the past 25years and the outlook for the future is most encouraging. This company produces ethicals, proprietaries,



and bulk items, the emphasis being upon ethicals. It is believed to be the largest factor in the sex hormone field and the second or third largest in the production of cortisone. Schering, a former German company, was taken over by the United States Government during the war and on March 11, 1952, was sold to the public at

171/2. Now available at a 43/4 point discount from the original offering price, the stock appears to be exceptionally attractive for long term investment. All of the company's plants are located in New Jersey, where nearly 1,300 per-

sons are employed.

In addition to possessing an excellent management, Schering is noted for its extensive research activities. The pharmaceutical industry expends some 4 to 5% of sales on research, whereas, Schering spends in the neighborhood of 8 to 9%. Such relatively large expenditures have proved their worth in that 65% of 1953 sales was derived from products developed in its laboratories and introduced during the past five years. In 1942 sales amounted to less than \$3 million, as opposed to over \$19 million in 1953. Research and growth go hand in hand.

Earnings of 91 cents per share for 1953 may not appear large but pharmaceutical companies sell high in relation to earnings because of the nature of the busi-ness. First quarter earnings of 23 cents versus 22 cents for the same period last year were recently reported. The stock at 1234 and yielding 3.9% on its 50 cent annual dividend is reasonably priced in its classification.

Sole capitalization consists of 1,760,000 shares of common stock. Cash items in the balance sheet exceed total current liabilities. with net working capital amounting to more than \$8.5 million. A balance sheet of such strength permits the possibility of senior financing at some future date for

expansion purposes. Perhaps one reason why the low level is to be found in a legal suit filed against the company by the Attorney General of the United States. This suit compels all of its patents issued or applied for prior to Jan. 1, 1952. The case Continued on page 42

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## Dark and Bright Sides of the Bituminous Coal Industry

By GEORGE H. LOVE\* President, Pittsburgh Consolidation Coal Co.

Prominent coal company executive describes bituminous coal situation and tells of the drastic decline in output since the end of war, which he says threatens to throw this huge industry into economic chaos. Holds importation of residual oil, which is displacing coal, must be limited by government act. Sees as bright side in coal industry's outlook the enormous increase in energy use, greater efficiency in coal mining, and future uses of the mineral in chemical products. Holds current experiments in atomic energy will add to use of coal for at least a decade.

When we speak of coal in Penntween anthracite and bituminous. Anthracite, having been confined

to our own State, has through the years per-formed a great-service in Pennsylvania in giving employment and creating business, but it has been shrinking each year recently and is currently



George H. Love

struggling for its life. Anthracite production reached its peak in Pennsylvania in 1917 when some 100 million economic life of America. tons were produced, but the tonnage in '53 amounted to only 30 million tons and obviously the shrinkage will continue. This is primarily because anthracite is used in home heating and the public has been changing over to other fuels which are more convenient and more cheaply transported, first to the locality of the consumer and finally to his basement. Some of the better anthracite properties have real value and will furnish employment for future is problematical.

#### Bituminous Production

When we think of coal we give ily along the eastern seaboard. chief consideration to bituminous, some fourteen times more than anthracite. While it is mined in twenty-five States of the Union, some 90% of it is produced east of the Mississippi. Pennsylvania was the number one producer of bituminous coal for many years, although its production has drastically declined, but it still maintains second place among the States. In 1953 we produced 94 million tons in Pennsylvania compared to a high of 179 million tons in 1918. In spite of the fact the last six or seven years during a period when practically all other industry was booming and also in spite of the fact that we ing markets. are now back to a point where we will probably mine no more coal in '54 than in a year like 1939, we still mine and use bituminous coal in enormous quantities.

\*An address by Mr. Love before the Pennsylvania Bankers Association, At-lantic City, N. J., May 24, 1954.

In fact, we produce a greater sylvania we must differentiate be- quantity of bituminous coal in this country than we produce of any other product and we may go on to say that no other country in the world produces as much of any single product. We have produced as much as 630 million tons and last year our production was 450 million tons. For comparison, we may produce 80 million tons of steel this year, some 700,000 tons of copper, 11/3 million tons of aluminum and about 1/2 million tons of lead and the same of zinc. You may be interested to know that we use far less than 25 million tons of all meat products in this country in a year's time. In other words, when we talk about bituminous coal we are talking of something that is produced here in tremendous volume and is thus a great contributor to the whole

Economic Chaos Threatened

However, the decline from the levels reached immediately after the war is at far too great a pace and may again throw this huge industry into economic chaos. It happens that the industry is receiving too many blows more or less simultaneously. These are the dieselization of railroads which will take some 100 million tons away from the industry, the tremendous spread of natural gas a long time, but as an industry its pipelines in what we normally future is problematical. consider coal's territory and, third, the flood of residual oil which is flowing into this country primar-

We could hardly find fault with which is used today in quantities the railroad dieselization program, as that stemmed from progress. We could perhaps think that, inasmuch as coal is such an important customer of the railroads, the program could have been carried on a little slower to prevent the possible chaos I mentioned above and, since the diesel is supposed to be so much more economical and such a great saver of dollars, the railroads might have eased the blow to coal by reducing the transportation cost of coal and giving the coal industry some of that nationally coal production the benefits rather than having has declined more than 30% in gone in exactly the opposite direction and increased coal freight rates some 50% which limited our ability to compete in our remain-

> The increase in the use of natural gas was and is to be expected because the public wants the convenience of this fuel and our only plea is that it be conserved for higher uses such as the

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## The Mortgage Business At the Crossroads

By EHNEY A. CAMP, JR.\* Vice-President and Treasurer

Liberty National Life Insurance Co., Birmingham, Ala.

Picturing the mortgage business as having undergone a complete change in last 20 years, Southern insurance executive holds Federal Government has now become the most dominant single factor in this field, and no one can accurately predict where the business is headed without knowing what the Government is going to do. Hints private lending institutions cannot operate under right to exercise their own judgment. Cites problems created for the mortgage business because of Government activity in the field, and scores continuous liberalization of Government loan plans.

naturally interested in the out- and guaranteeing of a substantial

future holds for us - what we may look forward to. Now, if you are expecting me to give you the precise answers to those questions, I shall have to disappoint you. I am not smart enough and must, at the very beginning, confess



Ehney A. Camp, Jr.

my inability to do so. In fact, I have the feeling that no man could stand here on this platform and with definite assurance tell you just exactly where we shall be even one year from now. For sure, we can discuss some of the pertinent problems and make some observations but, beyond that, we find ourselves completely in the realm of speculation.

Why do I say this? Why cannot we study the historical record and the available statistics, measure them against the current economic background, and then come up with a reasonably intelligent answer? I say we cannot do it because the mortgage business has undergone a complete change in the last 20 years. It is no more the business today it was 20 years ago than the streamlined Ford of today compares with the Model T. In the short span of 20 years, the mortgage business has undergone revolutionary changes which dwarf by comparison all developments in our entire previous history.

The Federal Government has now become the most dominant

\*An address by Mr. Camp before the National Association of Mutual Savings Banks, Chicago, Ill., May 11, 1954.

Since the subject of our discus- single factor in the mortgage busision is mortgages, all of us are ness. In addition to the insuring look for that business-what the volume of housing loans each year, the terms, standards and general policies which prevail in the government fields influence lending and very few private mortgage operations are conof participation in these government mortgage programs.

#### What Happened to the Mortgage Business

I want you to think back with me for a few moments over the mortgage business in that comparatively short period of time.

On June 27, 1934, the act creating the Federal Housing Administration was signed by President Roosevelt and, for the first time, except for the emergency HOLC act adopted in 1933, our Federal Government actively entered the private residential field. When, on Dec. 21, 1934, the Prospect Park National Bank of Prospect Park, New Jersey, received a commitment to insure a home loan of \$4,800 to Mr. and Mrs. Warren Newkirk in the neighboring town of Pompton Lakes, no one would have dreamed that in this short period of years through 1953, loans would be insured by FHA on 41/4 million living units aggregating \$251/2 billion excluding, of course the property improvement loans under Title I. About \$16 billion of the insurance was still outstanding on Dec. 31, 1953.

In June of 1944, exactly 10 years after the passage of the FHA act, tutions will be able to say 20 the act was passed providing for the guaranty of veteran loans and this has also resulted in an impressive volume of business. Through 1953, excluding farm and business loans, the Veterans Administration had guaranteed 3.200,000 individual mortgage loans of the face amount of \$21.5 and discretion?

billion and \$16.1 billion of these were outstanding at the end of 1953.

american annethla Adite

The total housing loans handled by these two government agencies through 1953 amounted to \$47 billion-nearly two times the total of the entire deposits of the mutual savings banks of our country. About 40% of all the privately owned dwellings constructed in this country from 1935 through 1953 were financed with FHA or VA mortgages. It takes very little imagination to understand that the impact of government guaranteed loans of such large proportions would exert a tremendous influence on the entire mortgage business.

At the end of 1953, the mutual savings banks owned about 18.5% of the outstanding FHA and VA loans and the life insurance companies about 30%, which means our two types of institutions owned nearly one-half of these government guaranteed loans. If we can judge by the past activity of the mutual savings banks and the life insurance companies in and affect all types of mortgage these government mortgage fields, the FHA is here to stay and the VA will certainly be here longer ducted today without some degree than was contemplated when the original act was passed. I am of the opinion that the Federal Government, having assumed such an important role in housing, will be in it from now on.

If my assumption is correct, then I say to you we cannot acpast 20 years and let us take stock curately predict where we are and see what has happened to the headed in the mortgage business without knowing what the government is going to do. But remember that we, as citizens and taxpayers, are the government and we have a real responsibility to try to keep the FHA a sound, constructive mortgage operation and not let it become a tool to influence political opinion or a means of directing economic activity in some desired manner separate and apart from the actual housing and mortgage needs of the country. If that happens — if considerations other than the desire for a sound and stable mortgage insuring agency determine the course of FHA-then I am fearful of what position we shall find the government occupying at the close of the second 20 years of its activity in the mortgage field.

#### Can the System of Private Lenders Continue?

The first question I present to you, therefore, is whether our successors in our respective instiyears from now that the mutual savings banks and the life insurance companies actively and aggressively fought for a system which private lenders could continue to operate with freedom and flexibility and with the right to exercise individual judgment

Please do not misunderstand me. I have always been a strong supporter of the FHA. What better proof of that could I offer than to tell you my company closed the first FHA loan in Alabama and that 80% of our mortgage porfolio now consists of FHA and VA loans? You may rightfully ask why we so heavily turned to government loans as the major part of our portfolio.

In the first place, the government guaranteed loan was of particular assistance to the small investor who did not have a farflung organization of mortgage correspondents and travelling field appraisers. This small investor could use the FHA system and its appraisers which enabled it to develop a volume of business throughout its adjacent territory in even the smallest towns-which would have been absolutely impossible to handle at a reasonable cost under the conventional system.

In addition, the FHA loan plan has enabled investment funds to flow more freely from some sec-

Continued on page 52

## The State of Trade and Industry

Steel Production Electric Output Carloadings Retail Trade nodity Price Index Food Price Index **Aute Production Business Failures** 

The over-all situation in industrial production for the countryat-large for the period ended on Wednesday of the past week remained unchanged from that of the previous week as declines in some lines cancelled out rises in others. Total output, however, was held down to about 10% less than the near-record level attained a year ago.

A current report from the "National Association of Purchasing Agents" predicted that industrial business should experience 'gradual improvement for some time to come." Its May survey showed more companies are increasing their orders and production than are curtailing them. The report also listed the smallest number of firms disclosing decreases in output and bookings since

Although new claims for unemployment insurance benefits rose to 10% to the highest level in five weeks, they were down substantially from the high levels in January. Total and part-time unemployment continued to be larger than indicated by unemployment compensation figures since about 40% of all workers are not eligible for such compensation. Many others have already exhausted their unemployment benefits. Over-time work has virtually disappeared.

New claims filed for unemployment compensation in 12 key states resumed their downward trend in the week ended May 15. They dropped to 203,240, down 12,383 from the week ended May 8. That week had shown a rise of 8,539 in new claims after three successive weekly declines. The total for the May 15 week was still sharply above the 126,232 filed in the like 1953 period.

Living costs, the Bureau of Labor Statistics of the United States Department of Labor points out, eased between March 15 and April 15 for the third month in a row. The Bureau's consumer price index dipped 0.2% to 114.6% of the 1947-49 average. The decline reflected Federal excise tax cuts.

Don't be fooled by the "pie in the sky" demands of the United Steelworkers of America; final settlement will scarcely resemble

them, according to "The Iron Age," national metalworking weekly.

In the steel industry, union and management are beginning their bargaining poles apart. Both are anxious to wind up negotiations peaceably, so they will soon be going after the real issues hammer and tongs, states "The Iron Age," national metalworking weekly.

Steel officials and their customers, many of whom have been whistling in the dark on the possibility of a strike, will be impressed with the gravity of the labor situation before an agreement is finally hammered out. Threat of a strike will certainly become a stronger factor in industry, particularly in the steel market, during the next 30 days, asserts this trade publication.

Chances still favor a peaceful settlement. But union demands, which would cost about as much as total present wage costs, have shortened the odds. Final settlement is still expected to provide a "package" costing in the neighborhood of 5c to 8c per hour.

Steelmaking operations continue to fluctuate within a narrow Gains and losses in the various steelmaking districts largely offset each other, leaving little overall change in the production pattern. The production trend is stable to strong with the outlook for a moderate increase within the next 30 days, this trade weekly reports.

This week the industry is scheduled to operate at 70.5% of rated capacity, down one point from last week's revised rate, but half a point higher than was predicted for last week.

Scheduling of an ingot rate above 70% of capacity for the third consecutive week, means that steel production passed its lowpoint in March and April. The lowpoint on new orders was reached last October.

New orders are coming in at a more rapid rate than they have for months. But most of them are small and they don't call for sufficient tonnage to boost production significantly.

The most important factor in the steel market for the next 30 days or more will be labor. Any darkening of the labor picture would be quickly reflected in a strong burst of new orders. There will probably be more protective buying anyway, as the June 30 contract deadline approaches. This will be quickly reflected in production schedules which are now very sensitive to new orders, declares "The Iron Age."

The daily rate of domestic new car sales during early May duplicated the April 1-10 eight-month high, according to "Ward's Automotive Reports.'

This trade agency said this continuance of near-record sales, despite high dealer stocks, is firming industry hopes for a 5,000, 000-plus sales year in 1954. In 1953, the domestic market absorbed 5,700,000 new cars.

In definite prospect, stated this trade journal, is an unusually strong year-end sales push, based upon present sales trends and an anticipated minor boom in deferred automobile buying.

January-June this year, according to the statistical agency, is expected to yield 2,740,000 new car sales, which would be only 9% under the comparable period of 1953. May sales are projected in the 490,000-500,000 range.

"Ward's" said the industry backed up such optimism last week with a nine-month production record of 148,835 cars and trucks in United States plants. The volume was 4% above the prior week's 143,269 completions and exceeded any week going back to Aug. 17-22 when 155,722 units left the assembly lines.

Last week's gain stemmed from resumption of car building at Hudson, Packard and Studebaker following shutdowns for adjustment of dealer stocks, plus return to five-day operations at Plymouth after four in the preceding week due to a strike.

Field demand, however, is restricting Chrysler Corp. operations. While Dodge returned to five-day operations from four a

Continued on page 45

#### Opportunity . . . in Four Letters!

O investors-that's Ohio. Major factor in everything from soap chips to steel . . . from farming and glass, through tool works,

Representative issues? Lots of them.

For example, here are a few that we buy and sell, or make our own markets for-

Central Trust Co. of Cincinnati Cleveland Trust Co. M. A. Hanna Co. Harris-Seybold Co. Hoover Co. McNeil Machine & Eng. Co.

Mansfield Tire & Rubber Co. National City Bank of Cleveland Ohio Match Co. Richardson Co. (The) Towmotor Corp. Warner & Swasey Co.

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## Observations . . .

By A. WILFRED MAY

#### A New Look at Institutions' and Fiduciaries' Impact on the Stock Market

Considerable light is thrown on the market's Blue Chip-itis state by the latest public transactions study just compiled by the New York Stock Exchange. This survey of the market on March 17 and 24 last is the third in an annual series of two-day

"snapshots" of investing sources and patterns; somewhat akin to the SEC's poll-based analysis of investor behavior in the severe break of September, 1946.

The new survey substantiates the importance of the impact of the institutions with their "window-dressing" motivation on the 'good stocks" section of the market; and the public's chain reaction thereto; both of which sources have combined to lift the prices in that particular market sector to the strato-

In this period, when the market as measured by the averages comprising these institutionally-popular stocks is the highest in 25 years, the institutions are shown to be heavy buyers. At 1,412,876 shares, the volume of their

on the corresponding dates in 1953 and 1952. It accounted for 25% of the public buying (i.e., excluding exchange members, brokers, and dealers), and 18.7% of all the buying, a proportion exceeding by 30% that in the previous year.

Wilfred May

#### The Breadth of Fiduciary Window-Dressing

The categorization of institutions embraces insurance companies, banks, investment trust, educational and charitable institutions, corporations, fiduciaries, etc. Included with the bank data are orders placed by individuals through banks. But since very little of the latter is comprised of transactions coming in "through the window"; this category almost in its entirety encompasses the giving of advice, in either a clearcut or indirect manner. And significantly pervading the giving of such advice is the preference for taking a chance on incurring a 10% loss in a "good stock" like Telephone (which can be blamed on "the market"), rather than in some relatively little known issue selected for its longterm underlying value. Hence this institutional group supplies a sharply growing propulsion to the drastically divergent upward movement of the Blue Chip segment of the market.

Some body of opinion holds that extension of institutional activity in equity investing will importantly depend on the legal prohibitions. In New York State now, typically, common stock holding is limited to those issues which have a 10-year consecutive cash dividend record; earned in the aggregate over the entire period, but not necessarily in each year; to those which are listed on a registered stock exchange; to those of companies incorporated in the United States; and to those whose preferred stock, if any, satisfies legal requirements. But it is the opinion of this writer that in view of the strength of the psychological motive for window-dressing, the broadening of legal permission will not importantly affect the actual selection of issues.

#### **Evidence on Timing**

Evidence of timing of purchases and sales by the knowledgeable institutions is also furnished by the instant study. On the days surveyed this year the expert closed-end investment trusts bought on balance, against a net balance of sales in both 1953 and 1952 when prices were considerably lower. Similarly, the banks bought this year, against sales in 1953, and a stand-off in 1952. The insurance companies showed a substantial net surplus of purchases in 1954, with an excess of liquidation in 1953; and a small buying balance in 1952.

Some observers regard this as validation of present market levels by the experts; while others cynically hold that this again shows that the tyros have no monopoly of illogically "buying them when they're high, and selling at bottoms." As a matter of fact, the survey shows that the non-professional category of public individuals acted more logically in selling at this year's higher levels after net purchases at the lower periods.

The cynics maintain their conclusion is substantiated by the ebb and flow of the professionals' short sales; the figures (as now) persistently show a reduction, instead of an increase, in the "expert" short interest as prices rise.

Inclusion of greater detail in the individual's specific motivations-particularly the psychological-in both his buying or selling might well accompany future studies by the Exchange. We recall the SEC's highly constructive study of the investor's behavior during the September, 1946 break.

## Wellington Calls Market Level Reasonable

Wellington Fund, in a monthly memorandum on investment policy appraised the overall stock market level as "still reasonably valued" on the basis of historical

The memorandum, signed by A. Moyer Kulp, Vice-President and Executive Director of the Fund's Investment Committee, continued:

tracted considerable public attention and has become very uneven. This calls for a greater than usual amount of caution in making new commitments and in the retention of present holdings."

Common stock and equity risk holdings of Wellington continue to represent about 63% of its upwards of \$329 million in resources, according to the memorandum. The diversification, it was stated, price earnings and yield relation- has been broadened in recent months with emphasis on the quality of the individual common stocks held. The portfolio was described as in a conservativelybalanced position. Some 24% of "Nevertheless, the rise has at- the Fund's resources consist of favorable political climate."

## **Our Inefficient Schools**

Commenting on close connection between schools and business. Mr. Babson blames businessmen largely for our inefficient schools. Says as business men and educators, we have been unwilling to be clear and coherent about what we want United States to be. Calls for research to overhaul courses of study.

Schools and colleges cannot be. This might be followed by a divorced from business. In the movement to overhaul courses of long run, business has only the study in the light of what rekind of leaders and workers that search may reveal would best

schools pro- serve the interests of all. duce. Today, many business and educational leaders need. General S. L. A. Marshall, are expressing of the Detroit "News," intimates concern about the educational product. Free public education appearstobe watering down our great tradition of discipline

and struggle. Roger W. Babson

Yet, others say that while we have taught people how to make money, we have failed to teach them how to use it properly. The most damning criticism is that our system is one of education for mediocrity; we pull the bright child downward as we try to drag the dull child upward. This results in a mediocrity of conformity.

#### Army-McCarthy Hearings

President Eisenhower said only last December that he has been "appalled" at the lack of our youth's understanding of "what America is, what are the conditions that could make her fight, and therefore, what are the underlying reasons that could lead that boy finally on the battlefield to risk his life, not just for property, not just for even what you might call national rights, but for some fundamental values

As businessmen and as educators, we have been unwilling to be clear and coherent about what we want the United States to be. Consequently, the confusion in the schools and among businessmen is getting worse and worse. The Army-McCarthy hearings in Washington are an illustration of this useless confusion.

Since businessmen say our youth are coming to know less and less about less and less, perhaps a research project to determine exactly what our schools do teach might be a starting point.

high grade investment bonds and preferred stocks; and about 13% of resources consist of cash, commercial paper and short and medium-term government bonds.

"Wellington's present position, Mr. Kulp pointed out, "should provide reasonable stability, and places the Fund in a flexible position."

The memorandum gave this summary of market action and investor sentiment: "The stock market has continued to move upward in the past month to 325 in the Dow-Jones 30-Industry stock average. The market has now risen about 70 points from the 1953 low reached last September. The rise, as measured by this average, has carried about 30 points above the ceiling of the 1952-53 trading range. The rise is believed to reflect improving investor sentiment based on: (a) business recession has not threatened the prevailing level of earnings and dividends which the market had not fully capitalized in 1952-53; (b) indications that the business decline is leveling off; (c) easy money conditions with the supply of investible funds running above the volume of new financing; and (d) tax reform and a generally more

Should not our society develop people with qualities of self-discipline to develop initiative and and intelligence?

#### Shortage of Teachers

The teacher shortage is another problem. During 1954, it is indicated there will be a shortage of 72,000 teachers in our elementary schools alone. In the next three years, 45 states will run short of elementary teachers and 20 states will find themselves short of high school teachers. On Oct. 12, 1953, "Newsweek" reported that "in the past year, 60,000 teachers left the field. . .

Tie this in also with a New Discipline is a major national York "Times" editorial of last August which discusses the Summit, N. J., high school teacher who left his \$85 per week teaching job to drive a brewery truck at \$137.50 per week. Obviously; the way things went in Korea. there are some problems here.

#### Businessmen's Needs

Or, for the businesman there are such problem areas as executive development programs, research on personnel selection techniques; problems of industrial morale, diet, and health; unionmanagement relations; more effective distribution of goods these and a multitude of others should be research and training

We are pleased to announce-

What About Discipline?

that our soldiers on the Korean

which had something to do with

There are further implications

that lack of discipline in our

schools contributes to juvenile

delinquency and is a threat to

are they the symptoms of a funda-

mental problem? May it not be

that inability to comply with

regulations, whether of the Army,

the home, or the community,

stems from lack of self-mastery?

Are these the real problems or

our national security.

battlefront lacked discipline

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## Blue Sky Problems in the Public Financing of Oil and Gas Ventures These procedures relate to the pricing of securities and under-

By CHARLES I. FRANCIS\* Vice-President and General Counsel Texas Eastern Transmission Corporation

Author reviews and discusses the various Blue Sky Laws of the States and the SEC Acts, with reference to financing oil and gas ventures. Calls for changes in the laws that will not hamper financing operations unduly. Says, though investing public must be afforded adequate protection, it is equally compelling that investment funds be permitted to flow freely into industry. Calls for a compromise between the protection of the investor and the maintenance of an expeditious procedure to distribute securities, along with an integration of state securities regulations with Securities and Exchange Acts.

heterogeneous collection of many over dealers in securities by a enterprises which range from the licensing procedure, upon demon-

exploration and extraction ventures to the seasoned corporate giants of the industry whose unparalleled productivity is in no small responsible for the growth and economic prosperity of this country.



Charles I. Francis

Theneed for capital is constant and virtualventure, or in vast amounts by an new sources of supply or to modernize and expand its productive and distributive facilities.

acquire funds often has the alterplacement or of pursuing the more frequently employed procedure of making a public offering of its securities. The private in another state. placement, although of considerable importance as a technique in the distribution of certain types of securities,1 presents virtually no blue sky problems, for such a transaction is exempt from the registration requirements of the Securities Act as well as the securities statutes of the large majority of states.

The large scale procurement of capital by public offerings of securities necessarily requires the existence of a multistate distributive mechanism and this compels compliance with the state regulatory procedures which now exist in all but two states.

These state securities statutes represent the independent and uncoordinated legislative efforts of the several states, and differ widely both as to method and objective sought to be attained.2 The fundamental purpose sought be achieved however by such legislation was to protect the investing public against misrepresentation and fraud, and in certain states even against the investor's own imprudence.3 Although differing in detail, these state securities statutes may be classified into four principal categories, each representing a specific regulatory

The first, or "fraud" type of statute, does not impinge directly on the issuer or dealer by compelling qualification of securities or the licensing of the dealer, but provides for criminal penalties for fraudulent conduct and under certain circumstances authorizes injunctive proceedings to prevent the perpetration of fraud.4

The second, a "licensing" type

\*An address by Mr. Francis before the 19th Annual Convention of the Texas Group of the Investment Bankers Association of America, Dallas, Texas, May 10, 1954. The Hon. Leonard S. Leaman of the New York Bar assisted Mr. Francis in preparation of the speech.

For other footnotes see page 38.

The oil and gas industry is a of statute, exerts its control only sometimes highly speculative oil stration of good repute and financial standing.5

The third, an "inspection" type of statute, requires the registration of securities by the issuer, but does not purport to exert any control over the dealer in securi-

The fourth, or "combination" type of statute, is by far the most prevalent and provides both for the licensing of dealers and the registration of securities offered for sale.7

The enactment of the Federal Act superimposed a further regulatory procedure on the distributive mechanism. This statute expressly reserves to state agencies their existing jurisdiction over ly insatiable—whether it is sought the distribution of securities, and to finance a small oil exploration permits them to continue to exercise their established regulaestablished corporation to develop tory procedures, which in many instances impinge directly on interstate transactions.8 That the states should have been accorded A prospective issuer seeking to this authority is quite understandable, for the usual security transnative of negotiating a private action is interstate in character and involves the solicitation or offering made by a person in one state, looking toward acceptance

> The appreciation of the numerous problems inherent in interstate blue sky operations requires some understanding of the objective and scope of the regulatory efforts of the several states as contrasted with the procedure prescribed under the Federal Act.

The Federal Act is predicated upon the principle of full disclosure of essential facts concerning offerings pursuant to its registration and prospectus requirements, and does not purport to evaluate the investment quality of securities.

The statutes of certain states which require the qualification of securities prior to the sale for the sole purpose of compelling a full disclosure, obviously parallel the registration procedure prescribed by the Federal Act, and compliance with both proceresults duplication of effort.

The regulatory effort of the great majority of states is addressed to the evaluation of the economic potential of the enterprise whose securities are sought to be qualified, a matter which is beyond the purview of the Fed- of oil and gas securities-whether eral Act. This approach necesof facts upon which a determinatent Federal and state procedures coincide in purpose.

States whose regulatory procedures, in whole or in part, are predicated upon the licensing of dealers operating within their respective jurisdictions, do not in any way duplicate Federal procedure.

The exemption from the registration requirements of the Federal Act pursuant to Regulations A and B virtually places these types of offerings within the exclusive regulatory sphere of the states. As such exempt securities

are often of a highly speculative character, they are frequently subjected by the states to certain additional regulatory procedures. writing discounts, the appraisement of corporate properties, the regulation of the issuance of promotional securities, and in certain instances, the impounding of the proceeds of the sale of securities pending a successful completion of the entire offering. It is evident that although state securities statutes are entirely lacking in uniformity, they provide in the great majority of jurisdictions, a more flexible and comprehensive procedure than that prescribed under the Federal Act.

A multistate blue sky operation requires intensive advance preparation and is necessarily preceded by a review of the statutory requirements of each state in which the proposed offering is to be made. The application form of each state must be obtained from the various State Commissions and the requisite information carefully prepared to insure accuracy. Although a uniform application is authorized by the majority of states in connection with securities registered under the Federal Act, such an application is specifically stated to be inapplicable for the qualification of oil, gas and mineral issues.9

The compilation of the numerous exhibits which form a part of each application also presents a substantial mechanical problem. Many exhibits including certified copies of the issuer's charter and certificates of good standing which evidence the maintenance of a satisfactory status in the state of incorporation, must be obtained well in advance of filing the applications. Certain of the exhibits require extensive preparation by experts such as financial statements, real estate appraisals, the executives. report of the petroleum engineer property maps and the informathese experts must receive a prior briefing as to the statutory requirements of each state relating to their particular endeavor.

The preparation of appropriate corporate resolutions authorizing Metropoliton Life Insurance Comthe issuance and qualification of the securities sought to be distributed is another task requiring considerable attention. This matter is made somewhat more diffistates in prescribing the precise wording of the resolutions.

The success of any distributive effort depends in large measure upon its timing, which requires the ultaneous qualification of sepurchase made in violation of

#### Computation of Oil and Gas Reserves

Perhaps the most difficult overall problem confronting the issuer or not registered under the Fedsarily requires a full disclosure eral Act—is one relating to the computation of oil and gas retion can be made, and to this ex- serves, for it is obvious that ar accurate estimate is vital to the determination of the investment potential of such securities. Necessarily, due to the nature of the problem, estimates submitted even by the most competent petroleum engineers or geologists, often vary substantially. The expert making the report relating to a registered issue is required to submit the computations upon which he based his estimate, and in certain instances may be subject to verbal interrogation by experts of the Commission's Oil and Gas Unit.

Continued on page 37

## Occupational Diseases of Bankers

By JOE D. NICHOLS, M.D.\* Editor "Natural Food and Farming" Chairman, Atlanta National Bank, Atlanta, Texas

Among bankers' occupational diseases discussed by Dr. Nichols are heart disease, suicide and obesity. Lists ancillary causes of these diseases, and ascribes much of physical deterioration to improper food and emotional hypertension. Outlines a program of health inspection and health improvement.

big companies come to realize that in the past two years. their most valuable assets are their executives. These men are

hard to find, and when found, they often take years to train. Every resource of our country is being strained to the utmost to prepare ourselves for the possibility ofanother great war. We do not

Dr. Joe D. Nichols have enough of many of the basic resources of our economic life-steel, copper, aluminum and many other essential strategic materials: but what scarcer commodity is there

throughout our whole economy than executive ability? We are constantly being told that we must discover and develop new executives. Must we not also preserve those executives we now have? Yes, the preservation of our already trained executive talent in these difficult times is an absolute necessity. The success or failure of any business enterprise depends to a large degree upon the experience and wisdom of its

Since time will not permit me or geologist, the preparation of to discuss all the occupational diseases of bankers, I propose to tion relating to the validity of mention a few of the most comtitle to properties in which the mon ones and then discuss with issuer has an interest. Obviously you, the causes of these disorders, and make some suggestions as to what we can do about them.

#### Heart Oisease

According to the statistics of the pany, the leading cause of death among bankers, brokers and money lenders, is heart disease. Heart disease is the leading cause of death in almost every group in cult by the insistence of certain America and it is increasing yearly. There is some controversy as to just why this is so. There are some who contend that the statistical tables which show an increase of heart disease are caused by (1) the increase of the longevcurities under Federal and State ity of man, thus resulting in more regulatory procedures.10 Meticu- deaths from diseases of old age, lous compliance with state statutes and (2) better and more specific nevertheless required, for in diagnosis. No doubt these two addition to criminal sanctions, factors have their influence; howmost states accord the right of ever, it is also true that heart disrescission with respect to any ease is increasing even in the younger age groups. Many of you have friends and relatives who died last year with heart disease before the age of 50!

There are many different types of heart disease, but we are going to list only the two most common ones: (1) Coronary thrombosis and (2) hypertensive heart disease.

Coronary thrombosis is a disease of the blood vessels that lead directly to the heart muscle. The vessel becomes tense and constricted and a blood clot forms which stops the normal circulation to a part of the heart muscle. Coronary artery occlusion causes 8.5% of all deaths, second only to cancer. It is a disease of modern times. It was rarely recognized before 1900 and then only in the older age groups. Today it occurs even in the second decade of life.

\*A talk by Dr. Nichols before the 19th Annual Convention of the Texas Group of the Investment Bankers Association, Dailas, Texas, May 11, 1954.

Only in very recent years have In Canada it has increased 9%

Hypertensive heart disease is a result of long continued high blood pressure. The increased pressure causes the heart to enlarge and eventually the heart muscle becomes exhaused and heart failure follows.

Another occupational disease of bankers is obesity. Obesity is guite universal in the executive.

According to the U.S. Census Bureau, the death rate among bankers from suicide was 54.7 per 100,000 in 1930. This is by far above the average for other groups, and I suppose justifies us in including it as an occupational disease of bankers.

One other condition we want to mention is "the fatigue state," that tired, wornout feeling that so many executives have at the end of the day.

I believe that the same fundamental factors cause all of these conditions, so we will lump them all together for this discussion.

May I take a hypothetical case and describe for you the routine of a typical bank executive? Our observation is that the person whose occupation is largely sedentary and primarily mental, usually does not have good eating habits. Many rush to work with an inadequate breakfast. A cup of coffee loaded with white sugar and a sweet roll, is the breakfast of too many Americans. A stack of wheat cakes and some corn syrup is no better, and even the man who gets two slices of white bread covered with oleo and an infertile egg has nothing to boast about.

Breakfast is one of the most important meals of the day. After a 12 hour fast, the body needs some good food. The banker with a poor breakfast may become tired and irritable in mid-morning because of inadequate food. So what does he do? He gets another cup of coffee loaded with white sugar or "coke" to pick him up. Then too often lunch is hurried and not well balanced, and of course all day long he is smoking cigarettes at the rate of two or more each hour. By mid-afternoon he is tired and nervous and he is ready for more coffee and white sugar.

Finally at the end of the day some of these people go to the nearest bar and sit down for several drinks. The sense of well being that follows the cocktail hour is due to the fact that alcohol tends to stabilize the emotional household by remo cortical inhibitory influences. The man then gets his one big meal of the day and very often gets to bed too late. He falls into a profound sleep of exhaustion for a few hours. At four or five in the morning he has to get up and go to the bathroom. He tosses on his bed for two more hours and worries about the new day which is about to begin all over again. Perhaps you think this picture is too extreme, and of course many executives do not fit this pattern, but for far too many bankers, many of the habits are all too common.

I want to list the causes of these occupational diseases as follows:

- (1) Poisons.
- (2) Nutritional. (3) Emotional.
  - Poisons

The use of tobacco and its effect on the human body has been and is still a controversial subject. However, Raymond Pearl, one of effect; it depletes the blood sugar chain smokers frequently feel all right. faint and giddy. As a rule a chain

of five heavy smokers, between dextrose for its maintenance. the ages of 30 and 50, dies before Habein noted that 62% of execuhis time. The primary effect of tives smoke more than a package tobacco is to raise the blood sugar of cigaretts a day, 27% two packs, level. Unfortunately the excessive and 20% more than two packs. use of tobacco has a secondary It is my very definite opinion that smoking is a nasty, dirty and level and causes relative hypo- filthy habit-it is expensive and glycemia. This is the reason why it will kill you. Otherwise it is

The constant increase in the use smoker is irritable, shows evi- of insecticides and pesticides is dence of high tension, and suffers another one of the grave perils from wear and tear on the heart of our scientific age. D. D. T. and

the world's greatest authorities cardium or heart muscle requires ton seed oil. Do you know any tinued support. The sponsors of on longevity, has noted that one a normal amount of circulating cotton farmers who do not use this organization are certainly to are not only poison to the boll vision. weevil, they are also poison to the very useful honey bee as well softeners, and yeast inhibitors in as to you and me. It has been your daily bread are also to be shown that only five parts per million causes definite damage to nitrate in the little pig sausage a rat's liver. Dairy cows sprayed you had for breakfast was not with D. D. T. produce milk with enough to hurt you, but the cumuten times that amount of D. D. T. What will this do to your already poisons in your diet is certainly a over burdened liver? Dr. Dendy, factor to be considered in the the brilliant biochemist at Texas widespread disease of today. The Research Foundation at Renner is pure food and drug law of our now doing some very important great country is a farce. If a food muscle, not only as an effect of chicagone are posson. Oteomarineressed tension on the coronary garine and the compound lards research on this problem. This processor puts a chemical poison

these poisons? These insecticides be congratulated for their broad

The food preservatives, bread condemned. Perhaps the sodium lative effect of so many different circulation, but because the myo- are made from hydrogenated cot- research center merits your con- in his product, and later on, this

liable to no penalty, and the burden of proof is vested in a bureau in Washington.

A discussion of poisons would not be complete if we did not include alcohol. As history goes Noah was probably the first man who ever took alcohol to excess, and it shortened his day to 950 years. The Lord put him on the water wagon for 40 days and 40 nights, and as soon as he got off he partook of the cup that both

Continued on page 39

New Issues

## \$22,000,000

## Baltimore County, Maryland

5%, 2½%, 2.60%, 2.70%, 2¾% and 1% Bonds

Dated June 1, 1954. Due each June 1, 1957-94, inclusive. Principal and semi-annual interest (June 1 and December 1) payable in Baltimore, Maryland. Coupon bonds in denomination of \$1,000, registerable as to principal only.

Interest Exempt from Federal Income Taxes under Existing Statutes and Decisions

These Bonds, issued for Public School, Public Facilities and Metropolitan District purposes, in the opinion of counsel, are general obligations of Baltimore County, payable both principal and interest from ad valorem taxes which may be levied upon all the taxable property therein, without limitation as to rate or amount.

#### AMOUNTS, MATURITIES, COUPONS AND YIELDS OR PRICE

Due \$720,000 each June 1, 1957-83, inclusive; \$712,000 on June 1, 1984; \$184,000 each June 1, 1985-93, inclusive; \$192,000 on June 1, 1994.

Due	Coupons	Prices to Yield	Due	Coupons	Prices to Yield	Due	Coupons	Price or Yields
1957	5%	1.15%	1965	5%	1.90%	1971-72	21/2%	100 (price)
1958	5	1.25	1966	5	2.15	1973	21/2	2.55%
1959	5	1.35	1967	5	2.35	1974	2.60	100 (price)
1960	5	1.45				1975-76	2.70	2.65
1961	5	1.55	1968	5	2.50	1977-78	2.70	100 (price)
1962	5	1.65	1969	21/2	2.40	1979-81	23/4	100 (price)
1963	5	1.70	1970	21/2	2.45	1982-83	1	3.00
1964	5	1.75				1984-91	1	3.05

(Accrued interest to be added)

\$560,000 Bonds due June 1, 1992-94, inclusive, are not being reoffered.

The above Bonds are offered subject to prior sale before or after appearance of this advertisement, for delivery when, as and if issued and received by us, and subject to the approval of legality by Messrs. Semmes, Bowen & Semmes, Attorneys, Baltimore, Maryland.

The National City Bank of New York

Drexel & Co.

Halsey, Stuart & Co. Inc.

Glore, Forgan & Co.

Kidder, Peabody & Co. Union Securities Corporation Mercantile-Safe Deposit

The Northern Trust Company

Chemical Bank & Trust Company

Continental Illinois National Bank

The Philadelphia National Bank

F. S. Smithers & Co.

Blair, Rollins & Co.

Stone & Webster Securities Corporation

Equitable Securities Corporation Merrill Lynch, Pierce, Fenner & Beane Hornblower & Weeks

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Provident Savings Bank & Trust Company

Sills, Fairman & Harris

Field, Richards & Co.

Incorporated

Folger, Nolan-W. B. Hibbs & Co. Inc.

Scott, Horner & Mason, Inc.

May 27, 1954.

Anderson & Strudwick

## Dealer-Broker Investment Recommendations & Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Area Resources-Descriptive booklet-Dept. M. Utah Power & Light Co., P. O. Box 899, Salt Lake City 10, Utah.

Candidates for Dividend Increases in 1954-List-Gruntal & Co., 25 Broad Street, New York 4, N. Y.

Fire & Casualty Insurance Earnings-Annual Comparison-Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y. Insurance Stocks-Annual comparative analysis-Blyth & Co., Inc., 14 Wall Street, New York 5, N. Y.

Investment Opportunities in Japan-Circular-Yamaichi Securities Co., Ltd., 111 Broadway, New York 7, N. Y.

Japanese Shipping Stocks-Discussion in weekly Stock Bulletin-Nikko Securities Co., Ltd., 4, 1-Chome, Marunouchi, Chiyoda-ku, Tokyo, Japan.

Over-the-Counter Index-Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 13-year period -National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Pulp Industry in Japan—Analysis in current issue of Nomura's Investors Beacon—Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y. Also in the same issue are analyses of the Electric Wire and Cable Industry and Spinning Industry and discussions of Investment Trusts in Japanese Economy and current foreign trade.

American Machine & Metals, Inc.-Analysis-Filor, Bullard & Smyth, 39 Broadway, New York 6, N. Y.

American Research and Development Corp.-Analysis-C. E. Unterberg, Towbin Co., 61 Broadway, New York 6, N. Y.

Anheuser-Busch, Inc.—Analysis—Abraham & Co., 120 Broadway, New York 5, N. Y.

Coro, Inc. — Memorandum — Reynolds & Co., 120 Broadway, New York 5, N. Y.

Freeport Sulphur-Analysis-Bache & Co., 36 Wall Street, New York 5, N. Y.

Grumman Aircraft Engineering Corporation-Analysis-Ferris & Company, Washington Building, Washington 5, D. C.

International Telephone & Telegraph Corporation-Bulletin-Peter P. McDermott & Co., 44 Wall Street, New York 5, New York,

Johnson Service Company-Analysis in current issue of "Business and Financial Digest"—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis. Also in the same issue is an analysis of Central Maine Power Company.

Manning, Maxwell & Moore, Inc.—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y. Also available is an analysis of Whiting Corporation.

Monmouth Park Jockey Club - Analysis - Vickers Brothers, 52 Wall Street, New York 5, N. Y.

New England Lime Co.-Analysis-Dayton Haigney & Co., Inc., 75 Federal Street, Boston 10, Mass. Reeves-Ely Laboratories, Inc.-Analysis-Boettcher and Com-

pany, 105 East Pikes Peak Avenue, Colorado Springs, Colo. Royal Dutch Petroleum - Memorandum - Hirsch & Co., 25 "oad Street, New York 4, N. Y.

Sa.o Lowell Shops - Analysis - May & Gannon, Inc., 161 Devenshire Street, Boston 10, Mass.

Safe ay Stores, Incorporated-Annual report-Librarian, CF, way Stores, Incorporated, P. O. Box 660, Oakland 4, Calif.

St. Lawrence Seaway-Discussion-Ross, Knowles & Co., Ltd., 330 Bay Street Toronto 1, Ont., Canada.

Snap-on-Tools Corporation — Report — Lerner & Co., 10 Post Office Square, Boston 9, Mass.

Southern Production Co.-Memorandum-Gross, Rogers, Barsmith & Co., 559 South Figueroa Street, Los Angeles 17, Calif.

Time, Inc.-Resume of stockholders' meeting-Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y. Also available is a resume of the stockholders' meeting of American Express.

Unilever-Circular-Oppenheimer & Co., 25 Broad Street, New York 4, N. Y.

Were you able to attend the Stockholders' Meeting of

Time Inc. and American Express?

If not ask for resume

United States Steel Corporation - Analysis - E. F. Hutton & Company, 61 Broadway, New York 6, N. Y. Also in the same bulletin is an analysis of Armco Steel Corporation and Republic Steel Corporation.

Victoreen Instrument Co.—Analysis—Blair, Rollins & Co., Incorporated, 44 Wall Street, New York 5, N. Y.

Wisconsin Central Railroad Company - Bulletin (No. 167) -Smith, Barney & Co., 14 Wall Street, New York 5, N. Y.



#### THE SECURITY TRADERS ASS'N OF PORTLAND, ORE.

The Security Traders Association of Portland, Ore., held its regular monthly meeting on May 20 in the Green Room, Congress Hotel. The group's business began at 4:30 p.m. with dinner serviced at 6:30 p.m.

Robert W. Pitt, Blyth & Co., Inc., was selected Secretary-Treasurer, succeeding Neil D'Amico, of Dean Witter & Co., who was serving as Secretary-Treasurer pro-tem until the election. Mr. D'Amico was given a vote of thanks for his assistance by the entire membership.

Two new members inducted were Albert B. Schwab, Walston & Co., and Art W. Abeita, Pacific Northwest Company.

Pete Kosterman, Manager of the Trading Department, and newly appointed Vice-President of Zilka, Smithers & Co., Inc., was obliged to leave the gathering early to fly to the Los Angeles-San Francisco Traders party at Fresno.

Cards-nice, new ones-were furnished for the game hour by Virgil Hill of the U. S. National Bank of Portland. George A. McFaul, Jr., of Blyth & Co., Inc., sang his "Yale" tunes with great gusto and Dan V. Bailey, Manager of the Trading Department for the local office of Foster & Marshall, told some very funny stories -for which you should write nim-they were all clean, too.

Dick Adams, Donald C. Sloan & Co., made his first appearance at a meeting following a severe fall a month ago, when he hurt his back. Dick is supporting the Portland cabbies single-handed, but he just can't stay away from those trading keys!

The Portland Association also entertained Phillip J. Clark. Amos C. Sudler & Co., Denver, President of the National Security Traders Association, at a cocktail party and dinner at the Multnomah Club on May 25. Paul A. Ludlam, Merrill Lynch, Pierce, Fenner & Beane, President of the Portland Traders, presided at the meeting and at the dinner for Mr. Clark.

## COMING EVENTS

In Investment Field

June 1-3, 1954 (Boston, Mass.) Boston Security Analysts' Society annual meeting.

June 4, 1954 (Baltimore, Md.)

Bond Club of Baltimore annual outing and golf tournament at the Elkridge Club.

June 4, 1954 (Chicago, Ill.)

Bond Club of Chicago 41st annual field day at the Knollwood Club, Lake Forest, Ill.

June 4, 1954 (New York City)

Bond Club of New York 30th annual field day at the Sleepy marsh, Pa. Hollow Country Club, Scarborough, N. Y.

June 8, 1954 (Detroit, Mich.)

Bond Club of Detroit summer party at the Grosse Ile Golf and Country Club.

### Nomura Securities Co., Ttd.

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Material and Consultation

on Japanese Stocks and Bonds

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#### June 9-12, 1954 (Canada)

Investment Dealers' Association of Canada Annual Convention at Jasper Park Lodge.

June 10, 1954 (Chicago, Ill.) Investment Analysts Society of Chicago annual meeting.

June 11, 1954 (Los Angeles, Calif.) Bond Club of Los Angeles annual field day at the Wilshire Country Club.

June 11, 1954 (New York City) Municipal Bond Club of New

York 21st annual outing at Westchester Country Club and Beach Club, Rye, N. Y.

Investment Traders Association of Philadelphia summer outing at

Whitemarsh Country Club, White-

June 16-17, 1954 (Minneapolis, Minn.)

Twin City Bond Club annual picnic cocktail party, Hotel Nicollet June 16; field day and golf tournament, White Bear Yacht Club, June 17.

#### June 17, 1954 (Minneapolis, Minn.)

Twin City Bond Club 33rd annual outing White Bear Yacht Club - preceded by a cocktail party June 16 at the Nicollet Hotel.

June 18, 1954 (New Jersey)

Bond Club of New Jersey annual field day at the Rock Spring Club, West Orange, N. J.

June 18, 1954 (New York City)

"Syndicats" 5th anniversary and outing at the Echo Lake Country Club, Westfield, N. J.

#### June 24, 1954 (Boston, Mass.)

Boston Securities Traders Association 35th annual outing at the South Shore Country Club, Hingham, Mass.

June 24-25, 1954 (Cincinnati, O.) Cincinnati Municipal Bond Deal-. ers Spring party.

#### June 25, 1954 (New York City)

Municipal Bondwomen's Club of New York annual outing at Rock Spring Club, West Orange, Sept. 17, 1954 (Philadelphia, Pa.)

Bond Club of Philadelphia 29th annual field day at the Huntington Valley Country Club, Abington, Pa.

#### Sept. 22-26, 1954 (Atlantic City)

National Security Traders Association Annual Convention at the Hotel Claridge.

Sept. 23-25, 1954 (Minneapolis Minn.)

Board of Governors of Association of Stock Exchange Firms

Nov. 28-Dec. 3, 1954 (Hollywood, Fla.)

**Investment Bankers Association** Annual Convention at the Hollywood Beach Hotel.

## Paine, Webber Co. **Gelebrates 75 Years**

Paine, Webber, Jackson & Curtis, today is celebrating its 75th anniversary. The firm was founded in Boston, Mass. in 1879.

It constitutes a consolidation of Jackson & Curtis, which was organized in 1879 by Charles C. Jackson and Lawrence Curtis, and Paine, Webber & Co., which was founded the following year, by William A. Paine and Wallace G. Webber. The two old Boston houses, which had largely parallel growth and had both become national in character, merged in 1942 to form Paine, Webber, Jackson & Curtis. Lloyd W. Mason is managing partner of the firm.

Paine, Webber, Jackson & Curtis holds 34 memberships on 18 stock and commodity exchanges in the United States and Canada. Reuben Thorson, Chicago partner, is Chairman of the Board of the Midwest Stock Exchange. George Forrest is a Governor of the Los Angeles Stock Exchange, R. W. Miottel a Governor of the Detroit Stock Exchange and Robert Mac-Arthur is a Governor of the Boston Stock Exchange. Albert P. Everts, Boston partner, has just completed a term as a member of the Board of Governors of the New York Stock Exchange and Mr. Mason is a Governor or the Association of Stock Exchange

In addition to being active in June 11, 1954 (Philadelphia, Pa.) the stock and commodity brokerage field, Paine, Webber, Jackson & Curtis act as underwriters of new security issues and has active municipal bond and mutual fund departments. The firm maintains 40 offices and has 35 general partners, 13 limited partners and more than a thousand employees.

### FOR SALE

Diebold Record Desk Safes, storing both 5 x 8 cards and 3 x 5 cards.

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### 2400

## Springtime in the Rockies (Canadian)

By IRA U. COBLEIGH Enterprise Economist

A vernal look at current West Canada petroleum progress, and at some of the companies delving for oil in that scenic section of North America.



Ira U. Cobleigh

beaver for sound of drill and derrick is again echoing through the Moose Pastures of Alberta, Manitoba and Saskatchewan. Bright hopes

for high gravity oil from low cost wells animate the minds of operators, and thousands of eager enterprising men, geologists, brokers, and Pollyanna minded speculators, all hoping that, this Spring, their company, or their well, may open up a new Leduc. It's all sort of like a Kentucky Derby without the horses.

This is by way of suggesting that you can't do much drilling at 30 degrees below zero and that Springtime is both physically and ing. psychologically the season for renewed oil exploration in the upper latitudes.

About hopes for profit, for thousands there has been a nagging deferment in the wish fulfillment department. 1951/52 saw a churning market in Toronto for almost every equity that sniffed of oil. Since then, there have been many rude awakenings, many share price slippages running sometimes as high as 50% or 75%; and the holders of most Canadian oil certificates view wistfully, and rather sadly, the upsurge of the Dow Jones averages in New York. There's a bull market in stocks. "What bull market?", they plaintively inquire. But we came to praise the prairies not to bury them in gloom-so let's be about our task.

Certainly a consideration of Canadian oils is justified for speculative purposes on the record. If growth is sought for risk monies, where can you get a growth rate to beat the Alberta Story? 6.4 million barrels of crude produced in 1947; 76.8 million barrels for 1953; 600 wells at of last year; these are the statistics. At the beginning and still a major problem are outlets. True, ther expanded.

built. Pacific Pete is in a position most frequently mentioned as the

Now that the trappers have to supply a lot of gas itself, also shut their traps for the season, through its affiliate, Peace River and several tens of thousands of Natural Gas Co. (common selling beavers have gnawed their last at 6%) in which it owns 1,342pine boles by 000 common shares. Despite all a dam-site, en the adverse hullaballoo, Canadian route to fill- gas will be exported to Spokane ing their eco- and Seattle, and when official ar-nomic destiny rangements for same are conas sheared cluded, many caps will be doffed -especially from Alberta gas milady, the wells! The construction permitting Eastern flow of the gas via Trans Canada Pipe Line will round out the transport facilities, enabling gas and oil to flow East or West depending on the more favorable price or demand factors.

> With outlets rather well arranged for (although in blueprint only for gas), the question for many smaller prairie petroleum companies is whether they can survive on the meager proration flows from wells known to be good producers, and hold out until capped gas can be piped to waiting markets. That sets the stage for the major motif in the West Canada corporate picture at the moment - the need and desirability for corporate consolidation. We're in an era when the big oils are getting bigger, and the smaller ones getting big by merg-

An excellent illustration of this trend is found in Canadian Pipe Line Producers Ltd. which has, in the past year and a half, absorbed five smaller companies with production, producing wells, and a lot of royalty acreage requiring no drilling expenditure on its part. The companies merged were Model Oils Ltd., Mitmor Oil & Gas Ltd., Cal-Williston Petroleums Ltd., Alberta Royalties Syndicate, Red Deer Mineral Holdings Ltd., plus some mineral acreage from Trans-Canada Oils Ltd., and were acquired, without cash outlay, by issuance totally of 1,709,-588 common shares of Canadian

Thus, in a relatively short period, Canadian Pipe Lines winds up with proven reserves of 21/2 million barrels (light oil), about 100 billion cubic feet of gas, net property holdings of over 1 million acres, and 3,000 points of royalties (a point is 1% of the realized oil produced on 160 acres). Estimated reserves work out to about \$1.32 a share and the stock sells (Toronto) about \$1.50. Canadian Pipe appears well managed and financed (no debt); and has rather the end of 1947; 4,500 at the end better defined prospects than many other shares selling in this modest price range.

Another company which has with Trans Mountain Pipe Line moved forward by merger is Calgoing west from Edmonton to van Consolidated Oil and Gas Vancouver, and Interprovincial Company Ltd., created in 1952 by going east, a two-directional flow of Canadian crude is now a reality; and both these pipes will and Zodiac Oil Companies. The doubtless, in due course, be fur- result has been constructive, and has projected Calvan to a point More pressing is what to do where today it ranks 8th among about all the gas being found, Canadian producers. It is further mostly capped and just begging distinguished by a \$3 million to be given transport and entry. working capital, oil reserves (De-The Westcoast Transmission Com- cember, 1953) estimated at 17 milpany Limited pipeline from Peace lion barrels and a broad spread of River, Alberta, to Vancouver, mineral rights held on 1,184,000 British Columbia, Oregon and net acres located in all the West-Washington, argued about for ern Provinces and in the Northmonths and even years, is bound west Territories. It's prepared to to come and I would venture to throw the take from 18 capped predict its official approval before wells into the first gas pipe line Labor Day. That will be a boon that materializes. Computation of to the whole area and of special reserves suggests a per share valsignificance to Pacific Petroleums uation of above \$5 on the 4,299,-Ltd. (common sells at 10) which 042 shares of common outstanding. sponsors and will probably man- There are rumors of further age the \$110 million line when mergers, with Canadian Atlantic

quoted around \$5.

favored, is found in the Calgary Edmonton-Security Freehold Armena Field (October, 1951). liaison. Companies have an intersomewhat unique in that they own most of their mineral rights in fee. Calgary has rights to 1,142,109 acres of land in Alberta, and only in recent years has it done exploration for its own account, being content, at an earlier stage, to gather income from leasing out drilling rights. The checkerboard pattern of Calgary and Security Freehold together covers a belt astride a most favorable oil producing zone. Calgary has interest in 151 producing wells and 19 gassers, creating a 1953 production of 1,887,752 barrels. Calgary common is listed on American Stock Exchange, where it has sold as high as 19-today 12. Dividends of 10c per share have been paid since 1939. Not a fat but pretty classy when compared with some other Canadian oils.

Security Freehold is much smaller, with owned rights to 274,339 acres, but a slick balance sheet with over \$1 million working capital. With these resources, it is equipped to move ahead; and its 71/2% interest in 6,400 acres in the Elkton Gas Field, and recent drilling successes in the Roselea Field, Manitoba, have given stockholders a lot of encouragement. With only 1,900,000 shares outstanding and financial strength quite unusual for a company of its size, Security Freehold looks like a more sheltered speculation than most at the \$2 window. But still

a speculation. Another bracketing of two companies may attract you if you've plenty of sporting blood. This combination, piloted by the same management team is Canadian Homestead Oils Ltd. and West Territories Oils Ltd. First about

ited as the discoverer of the oil.

having 18 producing wells, a 1953 production of 166,934 barrels worth \$265,000, and a working capital at the 1953 year end of \$231,000. Prospects include posabove 21/2 million barrels of crude your shirt there! and 7 billion cubic feet of gas.

Canadian Homestead Ltd. was Western Homestead till March 1, 1954) has just completed a 1-for-4 reverse split leaving 924,000 shares outstanding and dividend record, you may say, correspondingly upgrading the per share worth. The new stock sells around \$2. It gives an interesting but highly speculative call on the potentialities of spread acreage in proven Alberta fields - Armena, Hamilton Lake, Baxter Lake and Princess, plus a 20% cut of 1,600,-000 acres in N. W. Territories.

That leads us to the second member of the team, speculative in the extreme, West Territories attractive plas Oils Ltd., with 3,600,000 outstand-stead of cigars. ing shares quoted at 18c. The big hope here is based on the theory present Alberta fields, at the con- now four years old. junction of the Laird and Mc-Kenzie Rivers. Some very im-American and Imperial have een reported to have taken permits on a broad swath of land here. Western Territories has a 70% interest in 1,600,000 acres. It also owns and operates its own equipmanagement. Basil O. Jones of ment and drilling rig. If you seek Toronto is President of both; and dividend prospects, and insulation State Street.

prospective bride. Calvan appears E. H. La Borde of Calgary is Vice- against risk, pray look elsewhere. to offer a rather improving value President and General Manager of It's a Las Vegas type gamble, in a risky business. Stock is both. Mr. La Borde is an experi- playing respected management enced oil geologist from Louisi- and 1.6 million acres of muskeg A pair entry which many have ana State, and is generally cred-country back to back, hoping for

In this Canadian oil business Of the two companies, Canadian you pay your money and take locking management, and are Homestead has the advantage of your choice. You can play it quite safe with the big ones-Imperial, British American, McCall-Frontenac-or move into representative outfits like Royalite, Home, Great Plains, Canadian Superior, Dome; sibility of larger production at or gravitate down to the market Hamilton Lake (Alberta), possi- midgets. Risk is usually (but not bly as many as three evaluation always) proportionate to price wells to be drilled with associates range, and luck is awfully importo appraise a 46,000 acre tract at tant. The best company criteria Kinmundie (Alberta). It, too, is are still money, management and waiting for pipe lines and has acreage in adequate quantity. This five tapped gas wells eager to de- Spring there'll be fortunes made liver. Estimated reserves are in the Rockies. You can also lose

## **Portland Papas**

PORTLAND, Oreg. - George Patten of George Patten Investenmt Company, is the proud father of a boy, Stuart Edward Patten, born April 30, the sixth child for George and his wife Elsie. Other members of the family are July (17); Meg (13); George Norman (10); Debbie (7); and Alice (5). Mr. Patten presented the boys at the monthly meeting of the Security Traders Association of Portland with most attractive plastic card cases in-

Also an April 30 arrival is a daughter, Anne, to Preston L. that the next headline oil strike Phipps, E. M. Adams & Co., and may lie in the Northwest Terri- his wife Shirley. They are also tories, in a natural basin, north of parents of twins, Neal and David,

Derele Swails, of Camp & Co., is also introducing Kurt Douglas, pressive companies such as British 8 lbs. 1 oz. of bouncing boy who arrived May 18.

#### Joins B. C. Morton

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. - Joseph Blumenthal has been added to the staff of B. C. Morton & Co., 131

This announcement is not an offer to sell or a solicitation of an offer to buy these securities. The offering is made only by the Prospectus.

### \$50,000,000

## Public Service Electric and Gas Company

First and Refunding Mortgage Bonds, 31/4% Series due 1984

Dated May 1, 1954

Due May 1, 1984

Price 102.915% and accrued interest

The Prospectus may be obtained in any State in which this announcement is circulated from only such of the undersigned and other dealers as may lawfully offer these securities in such State.

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WM. E. POLLOCK & CO., INC.

May 27, 1954.

## Whither Television?

By PAUL RAIBOURN\*

Vice-President, Paramount Pictures Corporation

Mr. Raibourn reviews present economic problems now under investigation to determine what can be done regarding future of ultra high frequency TV stations to solve question of color and pay-as-you-go television. Outlines among proposals as solution of the problem: (1) granting of additional UHF channels to networks and important operators; (2) remission of the 10% manufacturers tax on sets using UHF; (3) subsidies; (4) reallocation of FM and other bands to provide more channels; (5) authorizing booster and satellite stations in UHF coverage, and (6) new chain broadcasting rules. Holds color television is coming sooner and more cheaply than anticipated.

that is-the man with the best

attraction and the best facilities will get the audience - and the money.

Every entrepreneur believes that he knows what these best attractions and best facilities are, and that he should have them. When it

change the rules.



becomes of them-and the bankroll begins

enough to figure all the effects which will result from a change in the rules. My first assignment in the amusement business, in 1920, was to try to explain to Washington why changes in the rules wouldn't solve certain existing problems. Today, I'll try to exare being discussed in Washing-

be good for. old man from Wyoming showed up with an eight-year-old named Pay-as-you-see, whom he stated had never entered in a race before. The track stewards didn't want to

\*An address by Mr. Raibourn before the Television Council of Chicago, Chi-cago, Ill., May 21, 1954.

My thirty-four years in the cided to let it ride. The only betamusement business have certainly ting on the horse was by the owner convinced me of one thing and himself and when the horses went to the post, the tote board showed odds of \$159.60 for each \$2.00 ticket to win. Pay-as-you-see won by five lengths and going away. Naturally there was an outcry and an investigation. Chicanery and doping was suspected. The doctors could find nothing wrong. So the owner was called in and asked what was wrong with the eight-year-old. He said "Nothing, soundest horse I ever seen." "If soundest horse I ever seen." that is true, why haven't you raced him before" the steward persisted. "I hate to tell the truth," the owner sheepishly answered, "but we couldn't ketch him until he was seven.

This illustrates what has often evident that somebody else has been said of man-that he is the more than a proportionate share only animal who laughs and weeps because he is the only animal who to shrink, many people appeal to is able to distinguish the differ-someone in Washington to do ence between conditions as they something about it - usually to are and conditions as they ought to be. Max Eastman calls this the But nobody is ever smart essence of humor and pathos.

#### The Dream of Television

There has been a great deal spoken and written concerning the dream of television as it ought to be. The effects of it on the human mind, due to its convenience and its ability to convey what is happlain what solutions for television pening at distant places, are tremendous. The possibilities in eduton and who these solutions will cation are staggering. Every one of us has conceived of a television Last Winter there was an im- situation in which television staportant race coming up down at tions, and time would be availthe Hialeah track in Miami. An able even to the smallest community to express its desires and even to the weakest cultural or social interest. In other words, to put into existence through television complete freedom of artistic be bothered, but the fees were or controversial expression and paid and the necessary red tape to make those ideas available to had been taken care of so they de- anyone who wishes to listen.

servants of a law which is respon- not particularly in the technical sible for their existence and which gives them the duty of allocating the wave-lengths among all who demand part of them. This leaves only a limited number of channels available for television and they have interpreted the law to indicate that the limited channels must be distributed geographically. When that distribution has been made it becomes apparent that the state of television as it ought to be, which I described a minute ago, is not anything more than a dream. There just aren't enough channels available to please everybody. There are three ranges which are taken up by them, with 6 channels (54 to 88 megacycles), 7 channels (174 to 216 megacycles) constituting socalled VHF channels and 69 channels (470 to 890 megacycles) constituting so-called UHF channels.

It will be noted that these channels are not consecutively arranged in the spectrum. Since they extend over a range of the extreme ends of four octaves the propagation characteristics of the lowest frequency are quite different from those of the highest.

It hasn't always been believed that the propagation characteristics of these various frequencies were so different. There was much publicity in the late 1930's and early 1940's to the effect that the range of the lower television channels, 50 to 100 megacycles, were limited by the horizon. Posareas of coverage were spoken of as 25 to 35 miles. Perhaps they were practically and effectively limited by technical equipment at that time, but as the ability to produce higher power, to radiate it more usefully, to develop receiving antennas which were efficient and detection circuits which were more sensitive it has been found that these frequencies are not limited to the horizon and diameter of coverage areas were closer to 200 miles and in some cases 300 miles.

The disconcerting thing that happened is that some 23,000,000 sets were sold before the top 69 channels from 470 to 890 megacycles, with their present limited propagation came into use. While the distant communities to which these channels were finally allocated waited for them, the families living therein bought high quality, highly sensitive receivers to receive distant signals, none of which were capable of receiving signal on these UHF channels. Some of the signals they received didn't put a very good picture on the tube face of the receiver, but Members of our Federal Com- as everyone in the motion picture munications Commission have had business had learned, the people that dream and they have ex- are interested in whether they can

quality of the image.

So the man who applied early for one of the UHF channels and was unlucky enough to get it, had an operating station and nobody to listen to it. His community was held in the thralldom of existing conditions by a station miles away from the community itself and with little interest in its problems. What has been called the clear channel problem in radio had arisen all over again.

When stations of one community reach into another of different commercial and cultural interests in such a way as to block out local development, many problems arise. The more important ones are those associated with human relationships of the type that make democracy a worthwhile, although inefficient, objective. It is by these relationships that our society must hold itself together and it is in them that the truth about ourselves is made known to us and becomes part of our inner consciousness and un-

There is a massive debt owed to those who make our local communities culture operate. But, if ever our security is attacked, it will be because of our respect for them and their understanding of our local problems, that we will keep our society steadfast.

derstanding.

The tendency of the growth of modern populations and effective instruments of communication has been to divorce the individual from direct contact with those who control his destiny. In such cases they become on both sides merely units of consumption or an impersonal force which can be easily disregarded because it is not seen or felt emotionally at all times. Even in education, there has been a tendency to decrease its dependency on the resources of the local community and free it from many of the natural safeguards inherent in that tradition. As it is freed, it becomes an instrument by which education becomes an instrument which can be pressed into service of a political nature by clever men. This is a great and serious problem. I am happy to say that at least one group has seen where it is leading economically and is trying to relocalize responsibility without losing the benefits of mass production. I refer to the Brand Names Foundation.

#### The Present Situation

We now have a situation where there are 69 of the existing 82 television channels which are in trouble from both the economic and technical bases. For the owners of most television sets to receive UHF it is technically mandatory that he purchase an additional piece of apparatus-a converter-ranging in cost from \$20 to \$35. A supplementary antenna would be required in many in-

station owner has to cope with cost. competition from VHF existing stations which may be either inside or outside his community. If these stations are in a larger community property advertiser is munity, no network advertiser is interested in buying time because the area is covered from another community.

As a result of this situation, there have been enough licensees who have or are likely to run out of money and enough complaints to Washington so that the Senate is going to investigate. Seventytwo grants have been dropped of which 60 are in the UHF region. These hearings started Wednes-day, May 20. They are likely to run most of the summer. I have assembled for your appraisal a list of 12 of the proposed remedies for the situation.

### Some Proposals

To justify myself as an authority I want to point out that I com-

pressed it often. But they are the follow the action and story, and pleted my presentation of testimony of the channel allocations hearings in 1950 with the following statement: There is "the pregnant possibility that UHF will not mean ultra high frequency but unutilized high frequency." based that conclusion on the fact that the allocation was being made on geography rather than

> The list starts with what, based on the experience of the motion picture business can be called palliatives, namely proposals which will alleviate but not finally solve the problems. They involve maintenance to a great extent of the status quo.

#### Granting of additional UHF channels to the networks and important operators to in-

crease their interest in UHF. This proposal which, technically, caused the hearings to be called is contained in a bill introduced by Senator Johnson of Colorado on March 9 of this year. Basically, it says that anyone who will give up a VHF station will be automatically entitled within five years to two UHF grants, one in the area in which the VHF was given up and one elsewhere. It tries, by indirection, to place the UHF grants in stronger hands. The suggestion has also been made, with the same idea, that each holder of 5 station grants be allowed two additional in the UHF group of channels.

#### Remission of 10% manufacturers excise tax on sets able to receive UHF.

This is another proposal of Senator Johnson to help solve the situation and is basically aimed at the fact that the combination VHF-UHF tunable sets cost more money than the VHF only sets. The proposal has gotten enthusiastic reception from all industry sources since the only person to be hurt would be the U. S. Treasury.

If I am any judge of the temper of that organization and its previous efforts to prevent reduction of excise taxes, the measure is not likely to become a law unless a united industry really puts pressure on the Executive Branch of the government.

#### Various types of subsidies for UHF consisting of loans and grants to help the UHF operation for a period of time.

If the measure proposed by Senator Johnson under (2) is going to have trouble getting anywhere, then these are doubly so. These proposals however do have the merit that they go right to the heart of the UHF problem and do it immediately.

#### A proposal that no color set may be sold in interstate commerce which does not have tuning for UHF chan-

This proposal also has merit in that it is likely to have no opposition from within the industry. Meanwhile the apparatus for At to-day's proposed prices for cost of a imperfectly understood. The UHF is a mere feature of the whole

> The question has been raised by the legally-minded members of the industry that the proposal does have anti-trust difficulties if carried out by agreement and constitutional difficulties if by law. It probably would only be possible under an umbrella of a production control agency in Washington, though the economic theory to justify it would be dif-ficult to find. The industry now has a system on which it has agreed and several tubes available in which definition exceeds that which will be available from the limited color bandwidth.

Many people will be dubious about the usefulness of the proposal since they assume that color sets will be about \$1,000, this fall, \$700 in the fall of 1955, and \$500 in the fall of 1956. If sets at these prices and these dates are to save

Continued on page 41

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## Administration's Program And the People's Welfare

By W. RANDOLPH BURGESS\* Deputy to the Secretary of the Treasury

Asserting that Administration's objectives are more economy. lower taxes, and sound money, Dr. Burgess points out its accomplishments for the people's welfare as (1) a reduction of \$12 billion in the Federal budget; (2) tax cuts totaling \$7.4 billion; and (3) return to honest money. Says we must learn how to stop inflation and holds present business outlook is reassuring.

The aims and objectives of the financial program of this Administration may be summarized as

money. These

important im-

First. Administration's budget for fiscal 1955 is \$12 billion less than the budget submitted to the Congress by the past Administration for strength or risking too severe a readjustment in the economy.

Second, tax cuts which will be effective this year, if the President's program is adopted, will total \$7.4 billion, the largest total dollar tax cut made in any year in the history of the country.

About two-thirds of the tax cut duction more directly and make standards of living. These tax cuts are possible only because we have ket bonds. reduced Government spending.

Part of this tax program is the tax revision bill now before the program. The great, outstanding Senate Finance Committee. It is purpose is more freedom and the a comprehensive revision of the removal of handicaps to freedom; whole revenue code. This bill is freedom for the people of this the result of more than a year's work of our Treasury tax team namic progress; freedom to make and the Committees of the Con-

This bill provides many benefits for the 60 million American earners of wages and salaries. In addition, more flexible depreciation allowances, as well as partial relief from double taxation of dividends are among the provisions which will stimulate business. These changes will not only help new businesses get started but will encourage existing businesses to expand, to modernize, and so create more and better jobs.

in loss of revenue of \$1.4 billion, welfare. but this loss is largely offset by continuing the corporation tax rate at 52% instead of going down to 47%.

While this bill is basically a tax reform measure, its early enact- deflation. This country has had ment by the Congress will be bitter experiences with both inhelpful during the present transi- flation and deflation. The infla-tion period to less defense spend- tion of World War I was followed ing by Government. It will help by the deflation of 1921. The in-

is honest money-money that will after, followed by the inflation of retain its general level of buying Korea, had cut the buying power power over the years so that the of the dollar nearly in half and, Bonds, or saves money in other risk of a violent deflation. ways, may reasonably expect that In recent years we have learned value as when he saved them.

#### Honest Money

Honest money requires first a budget that is under controleconomy, lower taxes, and honest that is not a cause of continued inflation. The figures given above are clear aims show that the budget is being and they have brought under this control.

A second requirement for honplications for est money is the Federal Reserve human wel- System's freedom to perform its statutory duty of influencing the People gen- money supply for the public welerally may fare. This cannot be done if the not realize powers of the System are used to how much has peg the price of Government sebeen done in curities, or if the Reserve System 16 months to- is used for political purposes. wards reach- Freedom of the Federal Reserve ing these System from these pressures was three objec- partially regained in 1951, as a tives. result of Congressional hearings and public pressures. Its freedom has been more fully regained in the past 16 months. The System used its powers to combat inflation in 1952 and the early part of fiscal 1954. We are cutting spend- 1953. In the past year it acted ing as rapidly as possible without with equal vigor to create a fieither endangering our military nancial climate to ease the impact of cuts in Government spend-

The third requirement for honest money is that our great national debt of \$270 billion shall be so handled as to more nearly neutralize its influence for inflation or deflation. This means spreading the debt out over a goes directly to individuals. The longer period of years and graduother third goes to stimulate pro- ally placing it more widely among the people. Progress has been more and better jobs and improve made in doing so through larger sales of Savings Bonds and mar-

> Now let me come back to the basic human principles of this country to make long-term, dymore and better jobs and to pro-

duce higher standards of living. Aside from war, what are the economic enemies of human prog-One such enemy is too much government—too many contoo high taxes, and too much government spending. It is the people of the country who make prosperity-with their effort, their initiative, and their genius. This government's program for economy, lower taxes, reducing controls, and freer markets is a program to release more of the energies of the American The tax revision bill will result people to work for their own

Another great enemy of human welfare has been inflation or deflation. Inflation robs the saver for the benefit of the speculator and too often paves the way for deflation. This country has had in the shift of workers from pub-lic to private employment. flation of the late '20's was fol-lowed by the deflation of the '30's. The third aim of the Treasury The inflation of World War II and person who buys U. S. Savings if continued, would have run the

when he comes to use his savings, more about these great economic they will have about the same movements which can carry such grave dangers. Experience both here and abroad has demonstrated \*From addres by Dr. Burges before the National Board of Fire Underwriters, New York City, May 20, 1954.

their destructive power over ing operations so as to avoid human welfare. A major cause of adding to the expansion of bank these movements has been unwise credit. government policies. A major cure is found in sound fiscal and monetary policies.

#### Must Learn How to Prevent Inflation

The first principle is to avoid and stop inflation. Mr. Bernard Baruch was quoted a few days ago as saying that "if we want to prevent depressions, we must first learn how to prevent inflation. . . ."

The second principle is to rec-

ognize recession in its early stages and to establish a governmental climate favorable to recovery.

This is the broad background of the economic philosophy against which to interpret the events of the past 16 months. The Treasury, working with the Federal Reserve System, has been using its influence to avoid inflation or deflation.

When this Administration came into power, we were in the latter stages of an inflationary boom which had followed the Korean cut. It has enabled many busimilitary effort, which, in its turn, followed the inflation of World War II. These inflations had cut the value of the dollar in half, with much of this shrink-

of 1953 was the coming to a head of the inflationary movement that had gone on for a number of years. In dealing with this move- current transition. But, more imment, Treasury policy was in accord with the policy of restraint by the nonpartisan Federal Reserve Board, a policy begun months before we took office. nation. The system's policy of restraint took the form of higher discount rates and an open market policy that kept pressure on bank re-

While the major responsibility for monetary policy rested with the Federal Reserve, the Treasury worked in the same direction with other executive departments to reduce government spending, and to plan the government's financ-

#### The Readjustment

Beginning with the middle of last year there was a turn in the economic situation. The inflationary trend was checked; a readjustment followed. That readjustment involved a gradual shift from government to private spending, from the accumulation of inventories to their reduction, and from a steady expansion of consumer credit to a desire to repay

The rapidity with which moves have been taken to insure the availability of credit during the last year has done much to ease the current adjustment. credit available, businessmen have been able to carry out a gradual reduction of excess inventories. An ample credit supply has also permitted housing, plant and nicipal construction to move for- of the issue. Trading in the shares ward as defense orders have been nesses to convert from defense production to production of things for more and better living.

The present business outlook age since the end of World War II. is reassuring. We have confidence What happened in the first half that our program is sound. The steps that have been taken have been significant in smoothing the portant, they are laying the groundwork for the healthy longterm economic growth of our

## Frank McMahon Joining **Henry-Seay Staff**

DALLAS, Texas-Frank B. Mc-Mahon is joining Henry-Seay & Co., Kirby Building, Mr. Mc-Mahon is President of Frank B. McMahon & Co., Inc.

This announcement is not an offer of securities for sale or a

## **Wood, Gundy Elects New Officers**

TORONTO, Canada-Wood. Gundy & Company, Limited, 36 King Street, West, dealers in investment securities, anounce the election of E. S. Johnston, J. N. Cole and E. H. Ely as Vice-Presidents, and R. B. O'Brian as director, Secretary and Treasurer.

Mr. Johnston makes his headquarters at the New York office, 14 Wall Street.

## **Bond Club Exchange** Offering All Sold

The Bond Club Stock Exchange offering of 2,500 shares has been oversubscribed and the books closed, it was announced today by D. Frederick Barton, Chairequipment development, and mu- man of the committee in charge will be a feature of the Bond Club Field Day on June 4.

#### Joins P. W. Brooks

(Special to THE FINANCIAL CHRONICLE) LEWISTON, Maine-George E. McConaghy is now associated with P. W. Brooks & Co., Inc.

#### First Boston Adds

(Special to THE FINANCIAL CHRONICLE) BOSTON, Mass. - Branton H. Henderson, Jr. has become affiliated with The First Boston Corporation, 75 Federal Street.

#### With Keller & Co.

(Special to THE FINANCIAL CHRONICLE) BOSTON, Mass.—Edward Rogal has been added to the staff of Keller & Co., 53 State Street.

#### With A. M. Kidder & Co.

(Special to THE FINANCIAL CHRONICLE) JACKSONVILLE, Fla.-Leon L. Newton has become connected with A. M. Kidder & Co., 122 West Forsyth Street.

May 21, 1954

solicitation of an offer to buy securities. Kansas-Nebraska Natural Gas Company, Inc.

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## Monetary Morality and Our Irredeemable Currency

By B. F. PITMAN, JR.\* Pitman & Co., San Antonio, Texas

Texas investment banker, in supporting measures for the restoration of gold redeemable currency, contends: (1) inconvertible currency is causing a "flight from the dollar"; (2) the free enterprise system is threatened by a managed currency; (3) only political motives obstruct a return to convertibility, and (4) it is an illusion that gold is useless and unessential as a basis for currency.

Since the technical aspects of Fixed Dollar Investments Ignored the several gold bills under consideration have been covered by qualified experts, I shall confine

my observations to what may be called the moral side of the money question from the standpoint of a "plain vanilla citizen."

A condensed summuary of my views on four phases of what I call Monetary Morality, follows:



(2) The threat to our free enterprise system of a managed currency.

obstruct a return to convertibility.

(4) The illusion that gold is useless and unessential.

On Monday, Mr. W. Randolph Burgess stated (and I quote): "All business life depends on the making of promises, commitments and their fulfillment. Lending and borrowing money, contracts to buy and sell goods and services, savings and investments all depend on confidence that money will keep its value. When this confidence is broken, as we have seen in so many countries, the economic life is disorganized and retarded."

(1) Since few people would disagree with Mr. Burgess' statement it logically follows that loss the enduring value of our money would be a catastrophe. There are several (perhaps hard to recognize) signs that faith in the future value of the dollar is disappearing. For example, the stock market boom — various reasons are given for the renewed upsurge in the market but the most popular explanation seems to be that a or soon will be, underway.

People with money in both plications. eagerly buying shares in various enterprises. Domestic stocks being better known are more popuuar but funds are finding their way into foreign securities also. In some cases, these investments are made because of an abiding faith in the future of American business. This is, of course, wholesome and desirable. My bread and butter in a large measure depends upon the continued growth and expansion of the American economy and I earnestly hope that faith in our institutions will again be the strong nationalization of gold reserves force behind participation in supporting the currency is char-American enterprise. However, there is much evidence to indicate that such wholesome and United States citizens the right desirable motives are today out- to possess gold? The weak arguweighed by the urge to hedge ment is given that the monetary against inflation.

Last month I was discussing gold and monetary policy with a highly regarded Congressman who is greatly interested in the of economic forces. nation's fiscal policies. He conhis government bonds and bought stock. I would wager a small amount that most of the distinguished members of this Committee have their savings in stocks, real estate, oil, gold, art treasures, or something similar-not in government bonds, mortgages, annuities, or fixed income securiavoiding investments payable in a fixed number of dollars? Because of an intuitive distrust in the future value of our money. And why has public confidence been shaken? Many people would simply shake their heads and reply that they don't know but that something is wrong and the dollar isn't what it used to be. They will probably add that presumably in the future, as in the past, (3) The political motives which our currency will continue to progressively be worth less.

The increase in debt both publice and private indicates the number of people mortgage their homes as heavily as possible on duty of our government. the theory that they will eventually pay off the debt in cheap dollars. The pattern followed by and during the French and German inflations is in a limited way over money

The building boom continues, mostly on borrowed capital. Thin real estate equities have in the past provided some protection dilution. Land against money values are historically high. of confidence by our citizens in Prices appear out of line when economic worth is considered, but despite falling income from agricultural activity, there are many eager buyers and few sellers. The familiar theory is that no new land is being created but unlimited paper money may be created until checked by the reestablishing of true convertibility. The lack of a medium of storage value new wave of inflation is already, in which people feel secure has far-reaching and unfavorable im-

> Fiat money has a tendency to encourage speculation and over expansion and discourage frugal-Signs on the horizon suggest that the evils which have always accompanied inconvertible money are appearing in our own country.

While the movement away from est urgency.' money is still comparatively mild, it may properly be defined as an incipient "Flight from the Dollar."

#### Threat to Free Enterprise

(2) The managed currency system under which we now operate is inimical to free enterprise. The acteristic of a collectivist state, such as Russia. What moral justification is there for denying the reserves should be under strict government control as a defense for the dollar in its international

no capricious individual should they put their trust in their own a sizable chunk of the Fort Knox reserves for his personal protection. Such arguments, in one respect, are an admission that the gold reserves, valued at \$35 an ounce, are inadequate, and that astute people, distrustful of the intrinsic value of the dollar, prefer to hold gold in preference to currency. I contend that the best ible' under the management of thing for all the people is the those fit to do the managing, inrestoration of democratic institu- stead of being subjected to the tions and unshackling the free enterprise system. The highest ple's freedom to choose between standard of living the world has ever seen is the result of our capitalistic system. The smooth functioning of our democratic institutions requires the free play

The present practice assumes fided in me that he had sold all that the judgment of a small group in the Federal Reserve and Treasury is superior to the collective judgment of the people. The value of our money, which is the life blood of the economy, as well as a vital factor in the social, political, and even moral well being of the nation, is controlled by a small group of unties. Why are astute individuals doubtedly well intentioned, but perhaps not clairvoyant, men. Such a condition is basically and fundamentally contrary to all the tradition of this country. Since a citizen is denied the inherent right to own gold, the fantastic power of these men under present conditions may not be challenged. If political pressures cause them to become myopic, who can gainsay the decisions?

Recently a gratifying swing from collectivist ideology back to time tested, revered free enterprise has been evident. Now a repudiation of fiat money and the thinking of the times. A growing restoration of the right of a citizen to own gold is the solemn

#### **Political Motives**

(3) I can not express the politi-"money-wise" individuals before cal motives which have so far obstructed a return to gold any better than by quoting verbatim noticeable in this country. I refer the following editorial which apto the preference for "things" peared in the "Wall Street peared in the "Wall Street Journal" June 12, 1953:

#### "Why We Remain Off Gold"

"Why does our Government continue to maintain an inconvertible paper currency? What better, what more 'constructive' step could it take than to return to a real gold money standard, internally as well as externally? Why not perform the promise of the Republican campaign platform?

"Such is the substance of a letter from a Midwest reader, printed on this page of today's issue. The note he sounds is precisely in tune with the veritable chorus of opinion among professional economists, both here and abroad. The other day the Bank International Settlements (not to be confused with the International Bank for Reconstruction and Development) issued from its headquarters in Switzerland a declaration that a return to general currency convertibility was 'a practical problem of the great-The convertibility which would permit the 'free foreign exchange markets' for which the BIS pleads means, of course, convertibility into gold at fixed ratios for the respective currency

'Well, there are several reasons why the United States lingers in the lap of fiat paper, not one of which is good in economics, though some are more or less useful in the political arena. First among them is the fact that rendering our paper and deposit dollars convertible into gold at the domestic holder's option would set up a potential brake on the volume of our Government's

welfare, as they interpret it in terms of what will most nearly content the respective pressure groups which elected them.

"Moreover, there are some bankers and some businessmen who hold that Government spending, credit controls and fiscal policies in general should be 'flex-'rigid' regulation which the peogold dollars and paper dollars is asserted to impose. These are doubtless minority groups, but they appear to exert an influence out of proportion to their numbers. They seem to assume that those who own paper dollars, bank deposits and thrift accumulations should hold no part of the jurisdiction over the exchange value of the dollar.

"In accounting for our adherence to the paper dollar standard some allowance must no doubt be made for the fact that since the election of last November issues other than the money standard, seemingly of more immediate urgence, have distracted the attention of Congress, the Administration and the people themselves. And it is true that a return to gold convertibility at home (foreign governments and central banks can even now convert dollar deposits into gold) is not the only available brake on Government spending. Congress can do something about that, if or when it has the will to do it.

"Our Midwest correspondent refers to the gold standard plank of the Republican platform. As this newspaper said at the time, that plank put the cart before the horse by saying in effect that our return to gold could only follow a stable world economy, thus postponing it indefinitely if not forever. What Treasury Secretary Sherman once said about 'specie payment' during the 1870's fits our present monetary situation: 'The way to resume is to resume.

"We think it all comes down to this: Congress, the Administration and the people have not yet made up their minds about breaking away from their long indulgence in Government profligacy and the paper money line of least resistance to it. But we hope and believe they will make the right decision in the not too distant future.

#### Gold as a Monetary Base (4) In recent years, while so-

cialistic theories were fashionable, school of thought grew up which pronounced gold as a useless and worthless commodity. It was deemed to be unessential in commerce and industry and had also lost its potency as a monetary base. Then, too, gold producers were down at the bottom of the list (along with the manufacturers of artificial flowers and investment bankers!) as unessential to the national defense effort. It is perhaps superfluous to point out that, contrary to the contention of some of the modern economists, gold as a monetary base Hemphill, Noyes & Co., 28 North is today even more important than it was 50 or 100 years ago. Trading in the yellow metal on the free world markets has been almost equal to the inadequate total world production. Royalty payments made by some of the major U. S. oil companies to Middle Eastern countries are required to be paid in gold. Hardly a month goes by but that a devaluation of some for eign currency occurs, brought on by too much currency or too little gold. The official parity of any currency, although sometimes stated in terms of dollars or pounds, is gold. Although \*A statement of Mr. Pitman before the dollar in its international spending. Now political office-function; the gold belongs to all the Subcommittee on Federal Reserve function; the gold belongs to all the Senate Banking and Currence Committee, Washington, D. C. The people and should be used for mously against any more Gov-vitally important as a monetary berry, Secretary-Treasurer.

the benefit and protection of ernment spending than the pub- base, U. S. reserves are carefully everyone, so the argument goes; lic welfare requires. Actually, guarded lest ordinary citizens, seeking security, obtain some. It have the privilege of demanding collective judgment of the public may be significant that the rise Canadian dollars, German marks, and British pounds against U. S. dollars has occurred concurrently with a substantial increase in their respective gold

> It is perplexing to me to note that some observers consider gold unessential in war time. It may be recalled that in the last war General Mark Clark took gold into North Africa to use in paying the natives. More recently the Russians offered gold for various goods and commodities. They found eager sellers. The debasement which occurs in the currencies of belligerent nations in times of war is a generally accepted fact. The Paley report indicates that we are increasingly dependent upon foreign countries for materials critical in war time. All these essential commodities have been and always will be readily available if we have gold to pay for them. Sordid though it may sound, high ideals often evaporate in times of war stress. Hence, in the future as in the past, critical supplies will flow to the nation which has the universally accepted medium of payment-gold. I submit that gold should be high, if not on the top, of the list of critical and strategic

## **NYSE** Dinner in Honor of R. Grooks

Members of the New York Stock Exchange will give a testimonial dinner Thursday, June 10, in honor of Richard M. Crooks, who retired this month as Chairman of the Exchange's Board of Governors, John K. Cloud, Chairman of the Dinner Committee, announced.

Mr. Crooks, 48-year old partner in the Exchange firm of Thomson McKinnon, became a member of the Exchange in 1941. In 1946 he was elected a Governor and became Vice Chairman in 1950.

In 1951 he was elected Chairman and, following the retirement of Emil Schram in May that year, acted as President in addition to his duties as Chairman, until Keith Funston took over as President in September, 1951. In January this year he announced he would not be available for reelection as Chairman.

Mr. Cloud said that approximately 1,000 members of the Exchange, partners of member firms and their guests will join in honoring Mr. Crooks at the dinner, which will be held at the Biltmore

#### Midwest Exch. Members

CHICAGO, Ill.-The Executive Committee of the Midwest Stock Exchange has elected to memberin the Exchange the follow snip ing: Raymond F. Smith, Chicago; Harvey Sloane, Chicago; David S. O'Brien, Chicago.

### With Hemphill, Noyes

YORK, Pa .- Roger C. Heimer, is a registered representative for George Street.

Mr. Heimer was formerly with Baker Weeks & Co., Philadelphia.

#### Joins Westheimer Staff

(Special to THE FINANCIAL CHEONICLE)

CINCINNATI, Ohio-Samuel D. Brill has joined the staff of Westheimer & Company, 322 Walnut Street, members of the New York and Cincinnati Stock Exchanges.

#### Mid Continent Securities

SHREVEPORT, La.-Mid Continent Securities, Inc. is engaging in a securities business. R. A. Fitz-

## From Washington Ahead of the News

If you are so down in the mouth that you almost step on your lower lip, if you can't sleep at night for worrying over Indo-China, as is the case with several of my friends, forget it. Pick up and go on about your business. The military appropriation bills will have safely passed Congress in the

next few weeks and the crisis will have passed

What we are having now is a refinement of the old saw that comes every spring, about a Russian submarine, an amazing one, something better than we have, something taken from the Germans nine years ago, showing up off our coasts.

There is also an added touch. Having become a global leader, the leader, in fact, of what is wittingly known as the Free World, we are conducting our foreign relations on a Chamber of Commerce or a high pressure publicity firm's basis. The idea is to show activity, whether there is any need for it or not. Our conscientious Secretary of State is running around the world helter skelter. Al-

ready he has broken all records for flying and man-hours put in at international conferences. It's exciting and the headlines are exciting but it is an apparent annoyance to the Administration that the public generally has not become similarly excited. Seemingly, however, this activity has made our so-called Allies nuts.

Consider what it is all about. Indo-China is a French colonial enterprise. The investments there are French. The French care little or nothing about the idealism of "stopping the march of Communism" or of "saving Indo-China for the Free World." They would like to save their investments there and think they can save most of them by quitting the fight. But the U.S. Government insists that they fight on, gives support and intimates that it might give more; might, in fact, be "forced" to send ground troops.

Why? What is the propaganda to the American people? Well, regardless of what the French who have the money stake in Indo-China may feel, the U.S. must preserve Indo-China for the Free World in order that the U.S. can get strategic materials. Why does it have to have these strategic materials from Indo-China? Don't be silly. In order that it can fight in Indo-China.

Not only that, if Indo-China is lost to the Free World, next in line is Malaya. Who has the financial stake in Malaya? Why, the British who in World War II boosted the price of Malayan rubber to us so high that Jesse Jones was moved to his greatest profanity.

But notwithstanding this, our State Department can't get Britain excited about the dire threat to its pocketbook. The State Department, in fact, finds itself split with our two greatest "freedom loving" Allies, split over the fact that we are pressuring them to save their pocketbooks and they think they know their business better than we do.

This is not an isolationist piece. It is apparent that the commotion of our "leadership of the free world" is about to run our 'freedom loving Allies" crazy.

I know of nothing more indicative of the lack of interest on the part of the American people, generally, than the experience of Jim Lucas, Pulitzer prize winning correspondent for the Scripps-Howard newspapers. Jim did a corking good job with his front line stories in Korea. He returned to the States to the acclaim and admiration of his fellow craftsmen, received all sorts of honors and went around the country making speeches to large and deeply interested audiences.

Then running out of honors and awards and not being able to get down to domestic reporting, he returned to the wars, this time to Indo-China. He has been over there writing the same graphic front line stories, showing the same courage he showed in Korea, and his stories are appearing way back in the paper. They lack the fire and the interest of his Korean stories, not through any fault of his but because it isn't American boys he is writing about in Indo-China.

I am not privy to what is going on in the minds of the British and French foreign offices but I would be willing to bet my boots that they are happy over the diversion the U.S. State Department has got in Guatemala. And if it should prove enough of a diversion to direct Foster Dulles' energies away from Indo-China and can people happy, too. Because Malaya, it should make the Amer a "crisis" in Guatemala is something we can take in stride. We would be back in the good old Coolidge days with the Marines having the situation in hand, and a chicken in every pot.

change.

Stock Exchanges.

Mitchum, Tully Adds (Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. - Ells-

Joins Walston Staff

(Special to THE FINANCIAL CHRONICLE) SAN FRANCISCO, Calif.-John

C. Quinn has become associated

worth Tuplin has been added to

the staff of Mitchum, Tully & Co.,

## **Mark Price Joins** Lester, Ryons & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.-Mark B. 550 South Spring Street, members Price has become associated with of the Los Angeles Stock Ex-Lester, Ryons & Co., 623 South Hope Street, members of the New York and Los Angeles Stock Exchanges. Mr. Price in the past was an officer of G. Brashears & Co. with which he was associated for many years.

Gordon M. Gifford has also with Walston & Co., 265 Montjoined the staff of Lester, Ryons gomery Street, members of the & Co. He was previously with New York and San Francisco Bateman, Eichler & Co.

## Business Outlook Encouraging, **But Challenging** By WALTER E. HOADLEY, JR.\*

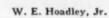
Economist, Armstrong Cork Company, Lancaster, Pa.

Picturing the next two to five years as an "interim period" between two booms, Dr. Hoadley gives as reasons for current slide off in business activity: (1) plentiful supply of consumers goods; (2) slackening in rate of new family formation; (3) reduced capital outlays, and (4) need for adjustments in agricultural production. Predicts only a moderate further business turndown.

An unusual amount of uncer- of economic forecasting and certainty and confusion about the tainly admit that I have no foolbusiness outlook exists at the proof crystal ball. Nevertheless,

forecasts are always to be found even among skilled analysts, such differences of opinion now appear to be quite pronounced. Pessimists, or prophets of gloom, find confirmation of their views in every adverse development, how-

Carlisle Bargeron



ever small. Optimists now read into the slightest upward tilt of any economic barometer strong indications of a new general upsurge in business activity. Most people find themselves in the middle between these extreme views and understandably con-

Our toughest job these days is to maintain or regain perspective toward the economic situation. At the moment attention in government and business seems to be concentrated on very current and near-term developments. As a result it's not too surprising that many people seem to have lost their sense of economic direction.

The best method by which to gain perspective amidst changing current economic developments-and I commend it to you -is to step back and away from the deluge of day-to-day reports of business changes and take a longer look at where business is going - national business, local

I recognize fully the limitations

OAn address by Dr. Hoadley before the 2nd General Session of the 42nd Annual Meeting of the Chamber of Com-merce of the United States, Washington, D. C., April 27, 1954.

present time. While conflicting there is no escape from forecastevery decision rests, explicitly or implicitly, upon some forecast or projection of what lies ahead. As a matter of record, moreover, it is often possible to forecast longer-range developvery short-term developments, public. This is because fundamental trends typically are more readily discernible than sporadic changes brought about by political and psychological as well as economic

In my opinion, too much time is now being spent watching-and ing recent postwar years. waiting-for the economic horizon to clear. The present drive among business analysts to find and document statistically the "bottom" of the current readjustment seems rather shortsighted to me. gardless of what the next reading of any economic barometer may show, the economic future poses great challenges to business leadership. It is essential that more time be devoted to gaining perspective on longer-range developments and to positive actions to insure sound and enduring economic growth in this country.

Since my plea is for perspective, I would like to direct our attention briefly to some underlying trends of importance to business, and then, against this longer-run backdrop, to consider what lies more immediately ahead for business.

At no time could American business leaders look forward with greater confidence to strong growth and expansion of our economy than at present. Not too many years ago there was widespread concern about stagnation. business, and your particular But few individuals will now question that our economy has strong growth characteristics. The population growth story is well 1960's and 1970's with confidence defense and war material rebecause the individuals are alive

today who will then be forming families in unprecedented numbers. Evidence of the rapid rise in number of children abounds on all sides, and in a very few years the number of teenagers will begin to set new records.

Equally important to national economic growth as more population are gains in the living standards plus the ability of industry to provide them. Recent marked increases in family income, important advances in the educational level of the American people and the tendency of individuals to adopt a shorter-term outlook on life because of the H-bomb and other similar developments, all point to strong determination by American people to increase their living standards substantially over the years ahead. In addition, the major forces of competition and incentive operate effectively across business to insure a stream of new products and ments with greater accuracy than better values for the consuming

All of these powerful forces will combine by the end of this decade or certainly by the middle-1960's to provide the economic basis for another much higher boom period, far greater than that which has been experienced dur-

#### Long Range Outlook

Certainly the longer-range outlook is encouraging. But as convincing as the underlying growth trends in the economy are, some important temporary weaknesses over the period just ahead cannot be ignored. Despite great national economic strength and widespread public and private determination to minimize fluctuations in business activity, there is no reason to believe that the business cycle has been eliminated.

I like to refer to the next few years as an "interim period" between two booms. I am not forecasting serious economic depression nor even too much further business down-turn. But I do foresee a continuing period of "test" for individual products, processes, managements, and prices.

Why does the nation face an "interim period" of economic test and challenge? For several reasons: (1) despite strong demands everywhere for "more" goods and services, the urgency to buy among consumers and business organizations has been materially reduced by the elimination known. We can anticipate the of shortages and reductions in

Continued on page 50

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May 27, 1954.

## The Pockmarked Labor-Management Scene

By ROBERT C. BASSETT\*

Former General Counsel of Labor, Hearst Newspapers, And Now Publisher of the Milwaukee "Sentinel'

Describing today's national labor-management scene as pockmarked with anomalies and contradictions, labor relations expert lays situation to: (1) low moral standards of labor union leaders; (2) featherbedding by unions; (3) secondary boycotts, and (4) strikes called without the democratic process. Concludes the moral turpitude that has led to growth of dangerous monopoly power of labor unions can one day engulf the system, and cannot be curbed without restoration of a moral way of life. Calls for amendment of Taft-Hartley Act on basis of fairness, not expediency.

struggling to outlaw the violence in an effort to find the cause of of war between sovereign nations, the evils which draw us together

families of scene. some consci-

Robert Bassett

entious workers who insist on doing an honest day's work against the featherbedding rules Today in a

greatness upon our

opportunity to rise from mesby our own inaction we permit some unscrupulous union to destroy the business and livelihood picketing his customers into withrefuses to join that union.

with churches and with jails, we find a blind apathy to disclosures are being robbed by a few contemptible bosses who handle union welfare funds as if they

one country, we see hundreds of small, being tossed into insolvency ized pressure of labor and other groups bent upon selfish redistribution of the wealth, regardtinued existence of our free enterprise system. Why? Why i

marked with anomalies and contra: ictions?

#### The Cause of the Evils

century.

clude the vast immorality which ballot box, but with a conscience seems to have invaded this gener- guided by the simple principles ation. The moral law which lies of decency. at the very roots of civilization seems to have become an exercise for Sundays only.

Perhaps the time has come for us to cease our glib legal talk of featherbedding, of secondary boycotts, of strike votes, and rather

\*An address by Mr. Bassett before the 42nd Annual Meeting of the Chamber of Commerce of the United States, Wash-ington, D. C., April 27, 1954.

Today, in a world frantically examine our national conscience we stand idly by at the ghastly today. Let us briefly analyze a bombings of few of these current burning isthe homes and sues on the labor-management

It is common knowledge that

graft, extortion, racketeering and gangsterism have permeated the ranks of organized labor far more heavily than some are willing to admit. Selfish and power-lustful racketeers have been exposed in recent brief hearings by Congresof their union. sional committees under the chairmanship of Congressmen nation whose Hoffman, Smith and Bender. A few such union leaders have partly rests sought refuge under the Fifth Amendment, a few have admitted equality of their crimes, and a few have been sent to jail. The surface has senger boy to corporate president, hardly been scratched. Businessmen have been shaken down for years. Tribute has been paid to avoid "trouble." Individual union of a wounded war veteran by members have been robbed of the funds which they have built up drawing their business simply be- out of their own earnings. One cause this little man who owns union at least has used its mortuand drives his one and only truck ary fund to finance strikes. Some unions have used these welfare In a land dotted everywhere funds simply to control the conduct and obedience of their members. In his message on the Taftthat millions of forgotten little Hartley Act, the President called men in our vast union structures for legislation to "protect and conserve" these union funds, and yet the Smith Bill in the Senate has failed to make any such prowere their own personal property. vision. Of course these practices In the face of the greatest ma- must be rooted out by governterial prosperity ever known in mental investigation and legislation. Of course welfare funds of thousands of businesses, large and all kinds should be made subject to the joint control and other proby the unreasoning upward pres-visions of the Taft-Hartley Act, sure on labor costs, while our as well as of the insurance laws government stares at a hopeless of the several States. Of course, debt incurred in part under the individual worker, the employer, the public and the unions themselves must be saved, forcibly if necessary, from the few less of consequence to the con- jackals who have sullied the labor movement. But action must not stem from any management de-Why is today's national sire to blacken the name of the labor-management scene so pock- labor movement, nor any collective bargaining advantage which might accrue. The stench must be eradicated because it offends the nostrils of morality and un-For be it from this practical dermines the fundamental delaborer in the vineyard of union cency of the labor-management problems to preach a sermon, but relationship. Those men in man-I have no alternative but to sug- agement who have paid kickbacks of us prefer a fair fight, and few gest that the answer lies deeper and tribute should examine their of us like the bully or the gang there our daily cries for profit, own moral fiber. Virtue is not a deeper than our conflict over manone-way street. The union leader against prerogatives, far deeper must learn his great responsibility than the simple desire of organ- to his membership and to the ized labor to overbalance the public. Laws cannot be effective shows by treatment received by the without moral willingness to wirker from many employers abide by them. Last, but not during the first quarter of this least, the legislator must have the moral courage to face the The answer, I suggest, must in- problem, not with an eye on the

#### Problem of Featherhedding

for ads already run in the paper, only to have the reset type thrown away, adding millions to the cost of consumer goods and tearing down the sense of decency of its members who must engage in such deceit. The Teamsters, with almost irresistible economic pressure, load our trucks and vehicles with so-called helpers whose chief occupation is to assist the driver in wearing out the seats of their respective pants. Bricklayers and millions of other workmen perform a ridiculous minimum quota per day, stretching it out over the required hours to the point where they must hate to look into the honest faces of their wives and children when they return home. Labor-saving tools and techniques have been barred from industry by union refusal to use them. Congress tried once to remedy this situation, but the Supreme Court virtually struck down the law. Will this or any succeeding Congress or Legislature have the moral courage to enact the law which they and we know is needed? The question is not one of costs or economics alone. We in business all prate too much about the horrible impact of these practices upon our profit and loss statements. Let us all, management, labor, and lawmaker alike, face the real issue - we should be against stealing! We should want with all of our hearts, to restore a sense of morality and decency to the area of labor-management relationships!

The moral issue is no less obscure in the secondary boycott. This device of the devil heaps upon the innocent third party the sins and quarrels of the primary disputants. Through its use, the union forces irreparable economic loss upon employers and their employees who are in no way associated with the labor dispute other than through their innocent relationship of customer, supplier or simply by-stander working on the same lot. Deprivation of services to the public is not the least evil involved. The boycott is a thug's blackjack which forces unwilling employees into unions, and helpless employers into insolvency. It destroys the freedom of choice in our economy, and sometimes prevents the individual from exercising his right to work at a job of his own choosing. In the spectacular New York newspaper strike of last December, the boycotting unions who were not on strike refused to handle even news stories and advertising coming from the struck newspapers, thus blacking out from all printed news the largest city in the world, violating the constitutional guarantee of Free Press, costing the primary and secondary employer newspapers over million, and destroying the vital Christmas business of helpless advertisers like the department stores. None of us in this labor business are panty-waists. We all recognize the inevitability occasional conflict. But most which beats up the innocent women and children who are caught in the switches. In his Taft-Hartley Message, the President said that "the true secondary boycott is indefensible and must not be permitted." Supplement that statement with an earlier one by Senator Taft to the effect that no witness before Congress had shown any difference between various kinds of secondary boycotts, and the conclusion that agement scene today are only all are bad is obvious. Unfortu-The problem of featherbedding into recommending the legalizais draped in no different gown. tion of secondary boycotts of ough analysis, but it looms so The Musician's Union adds unfarmed-outwork and at construction in any thoughtful attack conscionable costs and destroys tion sites. The Smith Bill in the upon the riddle of organized labor workers' morale by forcing the Senate provides for such legaliza-

loopholes in the law. Except as the moral way of life. just mentioned, the House tentative version does likewise. Of Once again however, the issue is primary union or employer involved. It is not a question of bargaining advantage or of dollars parties. Such legislation is imperative because it is the only known way to protect the innocent, to outlaw the economic blackjack, to preserve the in-dividual rights of third party employees, and to protect the public -in short, to preserve morality and decency in a system which otherwise permits restricted economic warfare.

And so it is with other urgent Taft-Hartley issues today. For example, the right to a strike vote is not a necessity for the employer, but it becomes a matter of moral decency when we think of the millions of nameless union members and their wives and children who suffer through the deprivations of a strike called without democratic process by power-mad union leaders.

Similarly, to curb communist domination of unions, we need thorough legislative study, followed by such effective action as a subversive activities control board; it becomes morally necessary to prevent society from comself-destruction.

Outside the Tast-Hartley area the same compelling need appears time and again. For example, the current drive for the guaranteed annual wage does not partake alone of the great humanitarian elements ascribed to it by the CIO. It is well recognized as a cover-up for the unconscionable elevation of unemployment benefits and costs at the local government level, and unfortunately some persons in high places have fallen for the ruse. If successful, it could mean the construction of a Frankenstein monster of local government costs and individual portions than even Frankenstein

#### The Increasing Burden of Social Security Benefits

In the same field we find the imminence of increased Social Security benefits coupled with a rise in the taxable base, spurred which only compounds the felony of a so-called security insurance system which is neither security nor insurance, and which will one day build another monster of such gigantic financial proportions that both unions and government will become its abject slaves. Many American businessmen haven't the courage to speak out against it. Worse, too many of our Confriends have already sional admitted that their votes on Social Security will be an offering to the Fall elections. I say without fear or equivocation that in the union hall, in the company's front office, and in government alike. Each of us must share the responsibility.

I rise, then, to indict those in labor, management and government who conduct themselves outside the moral code. The great issues on the national labor-manevidences of the greater undernately, the President was misled lying weakness. True, that factor does not stand alone in a thorthat it cannot be ignored.

This very moral turpitude has the country the Typographical should be rejected. On the other one day engulf the system. Monop- ers.

Union forces the resetting of type hand, Senator Schoeppel of Kan- oly is abhorrent to our American sas has introduced a bill (S 2989) way of life, but monopoly cannot which would correct many of the be curbed without restoration of

> I challenge the Congress to amend the Taft-Hartley Act by course we should support these the rule of fairness, not expedistrengthening provisions, and the ceny, and to preserve between Congress should accept them. management and labor a balance of economic power as well as of not the economic welfare of the public responsibility. I challenge every union leader to act in the unselfish interest of all. I challenge each of you in business and and cents to the quarreling industry to so conduct yourselves as to merit the ever-growing prosperity of the American system.

It is imperative that our American system of capitalistic free enterprise be preserved!

## Four Groups Expected To Bid on Kentucky **Turnpike Bond Issue**

FRANKFORT, Ky., May 25— Details concerning Kentucky's initial 40-mile toll turnpike route and its financing through the proposed issuance of \$38,500,000 of Turnpike Revenue Bonds, were explained here today by Governor Lawrence W. Wetherby, Highway Commissioner William P. Curlin, and representatives of Glore, Forgan & Company, fiscal advisors to the Kentucky Department of Highways.

The public information meeting held at the State Capitol today was attended by more than 50 mitting political and economic investment bankers and security dealers from Kentucky's principal cities and from Cincinnati. Ohio.

Governor Wetherby emphasized that primary consideration of the Kentucky turnpike project has been designed to relieve local traffic conditions and is entirely independent of toll turnpike projects now under consideration by adjacent or other states.

The Governor and some of his associates have conducted similar information meetings recently in New York City and Chicago.

Sealed bids for \$38,500,000 Turnpike Revenue Bonds (series 1954) of the Commonwealth of law evasion of more horrible pro- Kentucky, dated July 1, 1954 and maturing July 1, 1994, will be opened on June 8 at 10:00 o'clock in the morning at the office of the Commissioner of Highways in the State Office Building in Frankfort, Kentucky.

The bonds are to be issued for the purpose of paying the cost of the proposed turnpike which on by union political pressure, will extend from Louisville to Elizabethtown, Kentucky, and it is expected that the turnpike may be open to traffic by Jan. 1, 1956.

According to Glore, Forgan & Company, it is understood there are now four groups that have each formed accounts to bid for these bonds. These groups are headed by A. C. Allyn & Company, Blyth & Company, Halsey Stuart & Co. Inc., and Union Security Company-C. J. Devine & Co. Each account will contain the names of investment firms from all over the country who have shown an interest in this financmorality is imperative at home, ing, and it is expected that immediately upon the opening of the bids on June 8, announcement will be made of the group submitting the highest bid. The bonds will be delivered in definitive form on or about July 1, 1954.

## **Gardner Chiles on Trip** To East Coast

Gardner Chiles, Denault & Co., Russ Building, San Francisco, is making his annual tour of the East Coast. He will spend considerable time at Chicago, St. Louis, Boston and New York City employment of stand-by bands. In tion, as does a tentative House led to the growth of a dangerous consulting with leading investalmost every major newspaper in Committee Bill. Those proposals union monopoly power which can ment bankers, brokers and deal-

## Financial Side of Our Economy

By AUGUST IHLEFELD\*

President, Savings Banks Trust Company, New York City

In pointing out transition from a sellers' to a buyers' market is of fundamental importance to our financial institutions, Mr. Ihlefeld evaluates the impact of recent economic changes on various segments of the economy. Reviews basic changes in commercial banking and other financial institutions, which he says are in a strong financial position. Holds reverse is true of Federal Government's situation, and discusses recent Federal Reserve developments. Looks for a growing volume of Treasury deficit financing, but indicates a plentiful supply of available funds for investment and a declining demand for long-term capital. Concludes, if business activity falters, it will not be due to weakness of financial side of the economy.

center of attention in the eco- By the end of last February memnomic field in recent months, ber bank investments had reached

Less has been portfolios. said about the effect it will financial side the buyers' market from sellers

has been un-August Ihlefeld der way since last summer, is having profound effects on our money and capital markets. These effects which will continue in the months ahead are of direct and fundamental importance to all of our financial in-

To evaluate the impact of these changes requires at least a brief analysis of the financial position of commercial banks, corporations and the government which will determine Federal Reserve policy, Treasury operations and the supply and demand for credit and capital in the months ahead. Along with this analysis I shall give you an outline of probable developments in credit and money management, debt management and the credit and capital mar-

#### Basic Changes in Commercial Banking

Commercial banking has undergone many changes in our times. The stock market boom of the twenties enabled large corporations to finance themselves so easily through the capital markets that most of them became independent of bank loans. As a result, the commercial banks had to turn to investments as a way of life.

The depression of the thirties traction in loans, while investbut there was a far greater extimes loans.

Omitting the valleys and peaks not be a problem. of depression and war periods, The growing purchase of equi-we still find there has been a ties by insurance companies, penpersistent upward trend in the sion funds, trust funds, and mupercent of investments to loans in tual savings banks has added the Federal Reserve member basic investment strength to high lowered both on time deposits and banks. Investments in these

Business activity has been the June 1920, to 39% in June 1929. There has been considerable con- 113% of loans. The great growth cern expressed of time deposits during the past about the de- 30 years, of course, gave added clining trend impetus to the rising proportion in business, of securities in commercial bank

> This trend toward investments was temporarily reversed with have on the the increase in lending to finance post-World War II boom, of our econ- but it is now getting under way omy. Yet, the again. Loans and discounts have transition to been shrinking and there is little reason to expect, from the present outlook any appreciable upturn except seasonally. On the other market, which hand investments have begun to expand, and current indications -especially the continuation of deficit financing by the United States Treasury-point to a prolongation of this expansion. All this means increased competition for high grade securities.

#### Strong Present Financial Position

An outstanding and indeed comforting feature of the business readjustment is the strong position of our financial institutions.

Banking, in particular, is in a very strong financial position. There have been no banking difficulties of any consequence for The problem of many years. over-extended financial institutions, which was so characteristic of previous severe declines in business, has not arisen. As a result, there has been no forced liquidation of loans and reduction of the money supply as in previous business readjustments. On the contrary, the money supply may be expected to increase because the commercial banks are in a position to meet not only the circumstances. credit needs of trade and industry, but also the additional money requirements of the government. As such needs will be met largely with credit expansion, increase in the money supply is inevitable.

The stock market, regardless of ustification for present price levels, is not a serious problem was characterized by a sharp con- to banking as in previous readjustments. The end of the business ments of commerical banks in boom was not caused by a break United States Government secu- in the market; nor has it been rities were expanding and other followed by a break in the prices investments were holding rela- of equities. Bank credit is not tively steady. In June of 1933, being used on any consequential investments in Federal Reserve basis to support stock prices. In member banks were 92% of fact, loans for the purchase of loans. The World War II period common stocks are small, both of the early forties, with its tre-absolutely and relatively. The mendous deficit financing, did present 50% margin requirement bring about an increase in loans, on stocks is high; at least, historically speaking, and it could be crease the demand along a wide pansion of investments of these reduced if the need should arise. commercial banks in United In the meantime, as this margin reduced if the need should arise, front for mortgage loans. It States Government securities, does not have to be restored if with the result that at the 1945 prices drop, and as it is considyear end, investment held were erably higher than the banks more than three and one-half would otherwise require, margin rectly, but nonetheless power-

banks rose from 31% of loans in quality equities as these pur- on demand deposits for banks chases are made with real sav- throughout the country. \*An address by Mr. Iblefeld before the ings. I cannot too strongly emSavings Banks Officers Forum, Group
Four, New York City, May 18, 1954.

The cannot too strongly emPhasize that such purchases in
Market Account purchases other

thus are far different from much likely on any consequential basis, of the purchasing of the 1920's.

Corporations are also in a strong financial position today. Their net working capital is close to \$93,-000,000,000 as compared with only \$68,600,000,000 only five years ago.

The financial position of leading financial institutions such as insurance companies, and of course our mutual savings banks which have unparalleled financial strength, could be analyzed in detail but time does not permit. Let me, instead, summarize the private sector of our financial system by saying that it is in strong position: no difficulties have occurred and none are anticipated.

The Federal Government, in contrast with private financial institutions, is not in an especially favorable financial position. There was no overall decrease in the public debt during the 1946-53 period, one of the greatest boom periods, we have ever had. Although our public debt is very large, and heavy refundings lie ahead, still larger deficits must be expected. In fact, it now looks as if the Federal budget deficit for the fiscal year ending June 30, 1955, might reach a much larger figure than the \$3 billion that was anticipated at the beginning of January, this year. This financial position of the United States Treasury will have an impact even greater than usual on the money and capital markets for the next few months.

#### Policies of the Reserve Authorities

There has been no secret about Federal Reserve policies since effect. last May. The Federal Reserve The authorities have announced their aims in unequivocal terms at every opportunity. Their announced and obvious primary aim is to prevent the present business decline from becoming too serious. Just as obviously, no matter what might be said to the contrary, their secondary aim is to assist the Treasury in its refundings as well as its coming new financing. And, now, with the growing Federal deficit and the growing demands that "something be done" about the increase in unemployment, they have a third responsibility, namely, to keep in check the inflationary pressures which are building up. The traditional central bank weapons are at their disposal; but the desirability and utility of these weapons vary widely under present

Lowering the discount rate, for example, has little more than psychological impact, under current conditions as banks are not using the discount window at the Federal Reserve Bank on any consequential basis. Furthermore, as you know, a reduction in the discount rate does not directly increase the supply of loanable or investment funds. But, it does encourage a lowering of interest rates generally and thus favorably affects the market price of high-grade bonds.

Lowering reserve requirements, on the other hand, would directly, and immediately, increase the free reserves of the commercial banks. Such an increase in the lending and investing capacity of the commercial banks would inwould directly increase the demand from banks for short- and medium-term government securities; also, for tax-exempts. Indicalls with their forced sales will fully, it would stimulate home construction as well as public works programs. As all of these effects are earnestly desired by the Administration, it would seem to be only a question of time until reserve requirements are

phasize that such purchases in- Market Account purchases other

volve no bank credit at all, and than Treasury bills do not seem declining and other investment under present conditions. With the Treasury 31/4s crowding a price of 110, and all other govpar, it would be difficult to justify such purchases. This is a specific reason for expecting that any further easing of money and credit by the monetary authorities will probably be through re- Supply and Demand in the Shortduction in bank reserve require-

#### Probable Treasury Policy

months must be oriented to the growing volume of deficit financing. Declining revenue because of declining business activity and the growing tax cuts and increasing social security expenditures inevitably means a larger deficit. The anti-deflationary pressure of deposit expansion will be secured by financing this deficit through the issuance of securities which will be bought by the commercial banks, such as has been done in recent financing. It does not seem reasonable to expect that this stimulating effect will be overlooked in later offerings; therefore, further new issues the better. Of course, there might be a token long-term issue to prevent long-term rates from declining too far. In such case, the quantity offered would, of course, be fitted to that purpose and it would not have to be too large an offering to have the desired

The Treasury, in addition to the June refunding, has to refund before the current year end around \$9 billion of the December 2s of 1952-54 and nearly \$16 billion of Treasury notes and certificates, to say nothing of the roll-over of Treasury bills and provision for tax notes and other celeration recommended by the non-marketable obligations ma- President, so that by 1959 oneturing. But this should be no half of the corporate tax liability great problem with interest rates

opportunities decreasing. Competitive conditions in the capital market will, of course, influence Treasury decisions. In particular, ernment bond issues selling above the expanding volume of taxexempts and their growing proportion in commercial bank portfolios, could directly affect Treasury actions.

## Term Market

Based on the foregoing analysis of the more important financial factors, and estimates of probable Treasury policy in the coming Federal Reserve and Treasury policies, it will now be comparativley easy to arrive at reasonable conclusions as to the outlook in the credit and capital markets.

In the short-term funds market, the basic supply outlook is for an increase in loanable funds through the lowering of reserve requirements, and over the very near term through the return of currency from circulation up to the vacation period.

On the demand side, there are important factors of decrease which must be taken into account. To be specific, lower business volume, consumer credit resuitable for commercial banks payment, inventory reduction, may be expected unless business and elimination of the excess conditions change materially for profits tax will reduce the demand for loans and discounts. There might even be some reduction in credit demands from modest price declines a little later in the year, although this is by no means certain.

> Factors which will increase the demand for loans would be headed by the acceleration of payment of corporate taxes. For example, the tax liability on the books of non-financial corpora-tions at the end of 1953 had reached the huge total of \$19 billion. This was double the liability so evidenced at the end of 1949. And, now the further ac-

Continued on page 43

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100,000 Shares

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May 26, 1954

## THE MARKET . . . AND YOU

By WALLACE STREETE

the 325-26 area stalled the ing control of the company, that "prices" are the highest were regulars in top positions stock market again for a while offered several points above this week, leaving it pretty the market for offerings totalmuch up to individual issues ling up to 100,000 shares to work their way up or down which would increase its the ladder without much holdings by a third more. The offered little help, either, al- ever, has been such recently though they are poised in an that no historic records were area where it wouldn't take set although it did post a new too much strength to test the high for this year above 22. 1953-52 top.

although some light pressure was enough at times to drive General Electric off a bit hard and even staid American Telephone had some momentary weak spells. But recovery was as prompt as the pressure was spotty. Among the other quality issues, du nent in resisting the pull anticipated so that the issue recurring profits that look either way, while Allied held, on the immediate news, good at the minute. This Chemical showed a mild in- a fair margin above its year's clination to dip when an easi- low—the postwar low, incier tone was prevalent.

#### **Dividend News**

The overhead resistance in when Textron, which is seek-"bull market" help. Rails price level of the issue, how-This compares with a 1953 high of past 27, with 37 in Blue chips mostly rested, 1952 and nearly 47 in 1951.

#### Some Issues Registering Declining Highs

Celanese, as a matter of fact, has a similar record of declining highs since 1951 which have carried it from 58 to below 18. The halving of the dividend was sufficiently dentally—in the 16 bracket.

Both American Woolen and Celanese had plenty of com- profit base from which to Some of the individual pany among the other soft-start calculations. swings were directly trace- goods issues. For one not in able to dividend news, includ- the group that has a similar trimmed payment and Deep pattern there is United Fruit, Rock Oil on stock in lieu of which has fallen a bit from cash. Detroit Steel was also the staid ways it followed beamong the dividend casualties fore political unrest started in when directors took no action. Central America. At the current level. United is some 20 American Woolen's recent points below the best of 1952 erratic history continued and 30 points under its 1951

since 1929.

probably is the sole member Building, Illinois Terminaland is a few points under the high Valley Coal. highest reading of 1952. It showed no great disposition to get in line this week, probwasn't overly popular generally. A part of this might have been due to a series of market reports cautioning against too classic example of a feast and famine line in the pre-war days is one of the segments of big business that hasn't what might be called a "normal"

#### Secondaries Searched

The search among the secondary issues for those that might be ready to make a move continued and some of Avco, or Allegheny Corp., or three weeks now. Republic Pictures, taking over the tape momentarily. But it hasn't been too worthwhile so far and the market students who maintain that no bull have fared well in forging as market can end without an explosive windup of rampant speculation are still waiting.

considerably overdue in some quesne Light which continued views, so is a correction of this week to push to new worthwhile proportions after highs, in part due to the fact a substantial decline in defense amount of caution is rampant utilization of atomic energy in the expectation that the The ranks of sold-out "bulls" ment this week that its ore- from the high level attained in are growing to the crowded significantly. stage.

peak. Hovering at the poorest a deterioration of leadership. price of 1953-54 recently, it Whether this is a signal or means that virtually all of the not, the fact remains that the progress since its 1946 split most active issues are somehas been cancelled out. It is what different after a long one of many illustrations spell during which New York around to give the lie to the Central, Radio, General Mostory told by the averages, tors and American Telephone on the list. Recent most active on May 21, the annual meeting issues have been such as of shareholders of the General Among the aircrafts Grum- Greyhound, Texas Instru- Motors Corporation, of which he man stands out in that it ments, Equitable Office of the major airframe pro- even lowly Benguet Mining ducers yet to post an all-time which has the unenviable title high. The best price of the of being the Stock Exchange's year reached by the issue has most regular "penny" issue in been a shade above 28 which the under-\$1 bracket where it approximated last year's best occasionally is joined by Le-

200

The somewhat general expectation of a pickup in rail ably because the division business after the first quarter was one of the disappointments that kept the carrier ported for April. This drop was shares subdued. With the partly seasonal, but it would ap-April reports starting to armuch enthusiasm for the rive, revenues are still rungroup on the basis of non-ning markedly behind last likely to decline even further in year although some of the internal measures taken to cut costs have had a beneficial effect on the profits statements. It is again partly a in the armed forces. This comcase where the action of the pares with 61,000,000 a year ago rails is crucial and any successful assault by them on the While current employment is not high of last year some two at a record level, it is at the best points away could revive the level ever attained at this time of industrials.

While the senior section of health of the economy: the list has succeeded recently in nudging its high along ord high, and the rate of saving the low-priced issues came in the route by narrow margins, for spotty attention at inter- it mostly has been a one-dayvals with long strings of a-week performance for some has been running higher than last

## The Atomic Play

Utilities in this quiet way are being produced. in nearly a quarter of a cen-But while such a play is in the section has been Du- tablished a record. the 70-odd point advance that this utility is actively spending. This indicates that the since last September. A large working toward commercial nation is readjusting from a part-

202 202 correction is imminent, but The prime atomic energy cators serve to reinforce my connone of the selling spells seem issues, i.e. the companies that viction, which I first expressed to generate any follow- mine uranium, have had to last January, that 1954 will be a through. Instead, a rather siz- take to the sidelines after reable body of bargain hunters cent popularity. Instead it has bile business in particular. are lurking a point or so been such as Duquesne and under the market and they Anaconda Copper which have forecast of last January still swing into action on setbacks taken over the "atomic" play, and quickly cancel them out. the latter on the announcewaiting for a considerable de- processing work for the gov- 1953." cline before bargain-hunting ernment would be enlarged

[The views expressed in this article do not necessarily at any There has been recently time coincide with those of the Chronicle. They are presented as what the market analysts call those of the author only.]

## **Harlow Curlice Cites Factors of Optimism**

President of General Motors tells stockholders of factors contributing to an over-all health of the economy.

Addressing, at Wilmington, Del., is President,



Harlow H. Curtice

facts on which an optimistic outlook is predicated: "While unemployment was reported have reached a peak

Harlow W

Curtice de-

cried pessi-

mistic talk of

poor business.

and cited the

following

of 3,725,000 in March, a drop of 260,000 was repear to comfirm the viewpoint that the rise in unemployment has been halted and that it is the months ahead.

"Too little attention is given to the level of employment, which is now reported to be in excess of 60,500,000, exclusive of personnel and 58,500,000 in 1950 when things were also considered booming. year with the exception of 1953.

'Here are some other factors that are contributing to the overall

"Consumer savings are at a recin the first quarter was higher than a year ago.

"Consumer disposable income

"So has consumer spending.

"Goods now are being consumed at a faster rate than they

"Investment expenditures are a group to the best showing being maintained at a high level comparable to 1953.

"Total construction expenditury. Somewhat outstanding tures in the first four months es-

"The gross national product holds to a rate very near last sound, orderly basis.

"All of these economic indigood year for business generally and a good year for the automo-

"As for General Motors, my stands: 'General Motors volume of sales in physical and dollar terms in 1954 should not be far

#### With J. K. Mullen Co.

(Special to THE FINANCIAL CHRONICLE) DENVER. Colo. - Donald M. Campbell is now with The J. K. Mullen Investment Company, U. S. National Bank Building.

### NOTICE OF REDEMPTION

To HOLDERS OF

## Republic of El Salvador

4% External Sinking Fund Dollar Bonds, dated as of January 1, 1946, due January 1, 1976

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the General Bond, dated as of January 1, 1946, the REPUB-LIC OF EL SALVADOR will redeem and hereby calls for redemption on July 1, 1954 (the date of redemption) all its 4% External Sinking Fund Dollar Bonds, dated as of January 1, 1946. due January 1, 1976, issued and outstanding on June 30, 1954 at the redemption price equal to the principal amount thereof

Said Bonds should be surrendered for payment on or after July 1, 1954, at The National City Bank of New York. Corporate Trust Department, 22 William Street, New York 15, N. Y., New York Agent of Banco Central de Reserva de El Salvador, Fiscal Agent, with the January I, 1955 and all subsequent coupons attached. From and after the redemption date, interest shall cease to accrue on the Bonds called for redemption and the bearers thereof shall have no further rights thereunder. except upon surrender of the appropriate coupons to receive payment of interest thereon accrued and unpaid to such redemption date and upon surrender of such Bonds (together with all coupons maturing after said redemption date) to receive payment of the principal thereof.

REPUBLIC OF EL SALVADOR By BANCO CENTRAL DE RESERVA DE EL SALVADOR, Fiscal Agent.

May 27, 1954.

N. B.-After June 30, 1954, no additional 4% External Sinking Fund Dollar Bonds, due January 1, 1976, will be issued pursuant to the Offer dated April 26, 1946 as extended to January 1, 1955. However, holders of Republic of El Salvador Customs First Lien 8% Sinking Fund Gold Bonds Series "A" which matured on July 1, 1948 who surrender such Bonds in acceptance of said Offer after June 30, 1954 will receive in lieu of said 4% External Sinking Fund Dollar Bonds, a cash distribution equal to the principal amount thereof plus accrued interest on such amount from January 1, 1946 to July 1, 1954 at the rate of 4% per annum.

## SAFEWAY STORES, INCORPORATED 1953 Business Record

Safeway, the world's second largest retail
food concern, set a new record for sales and nearly doubled
1952 earnings in this first post-war year of normal
competitive business conditions.

- Safeway's 2,037 retail stores are located in 23 States of the U.S.A. and 5 Canadian Provinces.
- Thirty-one new stores were under construction at year's end and specifications were completed or in process of completion for 121 additional stores.
- In 1953, Safeway contributed \$6,700,619 in the form of city, county, school and local district taxes toward the cost of local government. In addition, it paid \$21,231,592 as income, sales, excise, franchise and social security taxes to the state and federal governments.
- Excellent employee relations were maintained all year.
   Liberal group insurance, retirement and profit-sharing programs are available to all employees.

#### Here's How Each \$100 of Safeway's Income Was Used

	in 1953	La contractor	in 1952
4	\$84.70	Paid out to Farmers and other Suppliers of Goods and Expended for Manufacturing and Warehousing	\$85.85
	, 7.41	Paid out in Salaries, Wages and Bonuses	7.44
	4.88	Paid out for Operating Supplies and other Expenses	4.41
	1.41	Paid out for Local, State and Federal Taxes	1.12
	.71	Set aside to cover Depreciation	.69
	.83	Profit for Stockholders and Surplus	.45
	.06	Paid out as Compensation to Elected Officers	.04
	\$100.00		\$100.00

#### 10 Year Comparative Record of Safeway Stores, Incorporated and all Subsidiaries Consolidated

Year		Capital and Surplus	Pe	let Assets or Share of Preferred Stock	Book Value Per Share of Common Stock*	Pe	ridends Pd or Share of Common Stock*	Pe	t Earnings Share of Jommon Stock*
1944		\$ 62,564,498		\$299	\$16.40		\$1.00	Cas.	\$1.63
1945		63,604,685		311	16.97	W,	1.00	N.	1.59
1946		71,901,081		359	20.18		1.00		4.29
1947		76,039,946		388	21.96		1.00		2.75
1948		81,972,829		428	24.44		1.00		3.50
1949		91,236,990		488	28.22		1.25		5.04
1950		115,215,274		371	29.76		2.40		5.20
1951		113,821,747		377	29.58		2.40		2.26
1952		132,273,480		266	29.03		2.40	*	2.01
1953		138,196,700		335	31.23		2.40	-	4.31

\*Number of shares adjusted to reflect April 12, 1945 3-for-I split.

#### NET SALES TOP 1952

Topping the record year of 1952, net sales for 1953 of Safeway Stores, Incorporated and all subsidiaries reached \$1,751,819,708, the greatest in the Company's history. This was an increase of \$112,724,496 or 6.88% over the previous high set in 1952.

#### **NET PROFITS CONTINUE UP**

1953 net profits before income taxes were \$29,620,074 or nearly double 1952's net profit of \$17,094,348. After allowing for a refund of \$470,122 of excess profits taxes and after providing for United States Federal Normal Income Tax and Surtax of \$12,026,000 and Canadian taxes on income of \$3,185,000, the net profit after income taxes was \$14,544,732 for 1953 as compared with \$7,331,943 for 1952.

#### EARNINGS AND DIVIDENDS

Net earnings on the common stock, after payment of preferred dividends of \$1,914,418, were \$4.31 per share on the 2,928,159 average number of common shares outstanding during 1953. This compares with \$2.01 per share earned in 1952 on the 2,831,207 shares outstanding. Dividends on the 291,886 shares of 4% cumulative preferred and 120,177 shares of 4½% cumulative convertible preferred stock outstanding at the end of the year were earned 8.51 times. Cash dividends of \$2.40 per share were, paid on the common stock. The Company's record of uninterrupted dividends was maintained by the payment of the 109th consecutive dividend on its common stock in December, 1953.

### ASSETS AND LIABILITIES

Total net assets on December 31, 1953 of Safeway and all subsidiaries were \$138,196,700. Total current assets of the same date were \$233,101,905 and total current liabilities were \$141,721,275. The ratio of current assets to current liabilities was 1.64 to 1.

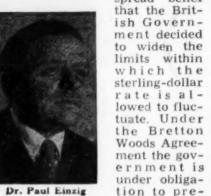
### SAFEWAY STORES, INCORPORATED

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## Sterling Exchange Rate Holds Up

Dr. Einzig explains causes of recent firmness in sterling exchange, and states there is no reason to believe that the British Treasury ever considered adopting a system of a "floating Sees no intention of British Government to widen the official limits of the sterling-dollar rates.

sterling during April and the sure on sterling which, in the



from depreciating or appreciating by more than 1%. On the basis the sterling-dollar parity of \$2.80 the permissible limits would be \$2.772 and \$2.828. In fact the actual limits, established in November, 1951, when free dealings in the London foreign exchange markets were resumed, are \$2.78-

it was the government's intention to widen the limits to 10% on either side of sterling-dollar parity. This would mean that sterling would be allowed to appreciate up to \$3.08 and to depreciate to \$2.52. To effect this change would require the consent of the International Monetary Fund. Some time ago that institution expressed its willingness to agree to a return to the "floating pound" which would be allowed to fluctuate without any officially declared limits. Its consent to such drastic departure from the basic Bretton Woods principle of exchange stability was, however, based on the assumption that the convertibility of sterling would be restored at the same time. There is no reason to believe that the International Monetary Fund would be in favor of sacrificing stability without the compensating advantage of convertibility.

In any case, there is no reason to believe that the Treasury seriously considered at any time to changed without the Fund's conadopt the system of the floating sent are about \$3.62-\$4.42. This adopt the system of the floating pound—even with its fluctuations means that at \$2.80 the parity is limited within a range of 20% sistent rumors of an imminent without the Fund's consent. widening of the range of fluctua-It is true. governments always deny impending changes of the exchange value of their currencies right to the moment when the changes can be announced officially. But on the present occasion it is safe to accept the official denial. Not only does the Treasury not intend to widen the range to 10% each way, but it does not even contemplate the widening of the margin to the full permitted limit of 1% each

floating pound, but it is part of the plan of returning to convertibility. The idea was that it would be easier to defend sterling, once it has become convertible, if the Treasury is not under obligation to maintain it within narrow limits. There has never been any question of removing of the New York Stock Exchange, them substantially, so long as sterling remains inconvertible.

the government intends to widen sory Department.

LONDON, Eng. - One of the the limits of the sterling-dollar main reasons for the firmness of rate is the persistent buying presearly part of May was the wide- absence of official intervention at spread belief \$2.82, would have caused the rate that the Brit- to rise considerably. But there is ish Govern- no reason to believe that the ment decided Treasury views with disfavor the to widen the influx of gold resulting from the limits within official sales of sterling in an which the effort to prevent its appreciation. sterling-dollar Indeed, when announcing the unrate is al- expectedly favorable gold figures lowed to fluc- for April, Mr. Butler, Chancellor tuate. Under of the Exchequer, appeared to be the Bretton very pleased. Even though the Woods Agree- influx of "hot money" is causing ment the gov- concern in official circles, they ernment is are unlikely to disorganize the price structure by allowing sterling to appreciate by some 9%. vent sterling Such an appreciation would necessarily be temporary, so that the fall in the price level it would entail would be followed by a rise. No government would be keen on going out of its way to bring about such unnecessary price fluctuations.

Nor would the exchange fluctuations themselves be viewed with favor. In face of German According to persistent rumors, and Japanese competition an appreciation of sterling would impose an additional handicap that would be most unwelcome. And a subsequent depreciation would go a long way toward undermining confidence in sterling.

The reason why a widening of the limits to 10% on either side of parity was the popular forecast is that, under the Bretton Woods Agreement, member governments are entitled to change their parities to that extent without having to obtain the International Monetary Fund's consent. So it was assumed that, since they can change their parities to that extent, they could equally well change their exchange rates up to 10%, without changing the parities. This is not, however, the official interpretation of the rules. Moreover, under the rules the 10% up to which changes of pariare permitted is reckoned from the original parities. In the case of sterling the original parity was \$4.02, so that the limits up to which its parities can be already well under the permis--unless and until it is ready to sible lower limit, so that there restore convertibility. The per- could be no further devaluation

Whether or not sterling will tions were categorically denied, be made more elastic when its convertibility is restored remains to be seen. But it is safe to take it for granted that no such step will be taken prior to the restoration of its convertibility.

#### R. P. Sackett Admits

James McKenna, member of the New York Stock Exchange, will become a partner in Ray P. Sackett & Co., 71 Broadway, New York City, members of the New It is true, the Commonwealth York Stock Exchange, on June 1 Plan provides for a return to the and the firm name will be

#### L. B. Howell Joins Delafield & Delafield

Delafield & Delafield, 44 Wall Street, New York City, members

## toll observed the breaks Hat Ohlandt, Milt, Young and Plumridge Join New York Hanseatic Corporation

Open Boston Branch



John D. Ohlandt, Jr.



Samuel B. Milt





Theo. E. Plumridge



Alex. W. Moore



Frederick S. Moore

New York Hanseatic Corporation, 120 Broadway, New York City, announces that John D. Ohlandt, Samuel B. Milt, Theodore R. Young and Theodore E. Plumridge are now associated with them in their trading department. All were formerly with Eastern

Securities Inc.
New York Hanseatic Corporation also announces the opening of a branch office in Boston, Mass., at 84 State Street, with direct telephone wire to their New York office. The new office will be under the management of Alexander W. Moore and Frederick S. Moore, formerly of Eastern Securities Inc.

The corporation has also established direct wires to Ames, Emerich & Co. Inc., Chicago, Ill.; Ball, Burge & Kraus, Cleveland, Ohio, and Kramer, Makris & Co., Houston, Texas.

## **Purchasing Agents More Optimistic**

Majority of Business Survey Committee of the National Association of Purchasing Agents see gradual improvement in general industrial activity for third consecutive month, but state buying policy is of a conservative short range type, and is expected to continue so because of current easy availability of materials.

chasing agents who comprise the continue that way with the exist-Business Survey Committee, of the National Association of Pur-

laven.

Robert C. Swanton

whose Chair-C. Swanton, Winchester Repeating Arms Com-Conn. holds that general business activity tended to improve in May at approximately the

same moderate rate that prevailed in the previous month. For the third consecutive month, those reporting increases in orders and production top the decreases by a comfortable margin. May shows the lowest number reporting decreases since last June. Industrial material prices are firm but have changed to James McKenna & Co. failed to follow the trend to strengthen that was reported in April. The price softening appears to be in the fabricated items more than in basic materials. Purchased material inventories. though still on the down trend, indicate that correction has been completed by the majority, as those limits, or even widening announce that L. Bennington 64% report holding to present or Howell is now associated with moderately increasing stocks. Buying policy is of a conservative Turnover ratios are much better 68 Devonshire Street.

ing easy availability of materials.

Over-all, the statistics and the chasing Agents comments reported show purchasing executives, barring strikes or man is Robert international disturbances, to be optimistic for a steady, gradual Director of improvement in industrial busi-Purchases, ness for some time to come.

#### Commodity Prices

ported in March and April. The markets cannot be called soft. Most declines are reported in the fabricated products where keen competition is causing marginal concessions to be made in moving stocks of maintenance and other non-productive supplies. Basic materials prices are considered firm at this time, and no sharp moverment either way is looked for in the immediate future.

#### Inventories .

Unworked purchased material inventories continue the down trend, but at a much slower pace than during the past several months. There has been a slight increase in the number reporting additions to stock, and a substantial increase in those reporting no change. General comment is that inventories can be held at a low point because of short prowarehouse stocks of many items. A few report taking in extra steel

with lower stocks and frequent replacement.

#### **Employment**

The lowest number, 27%, since last September, show declining payrolls in May. Most of these are the result of a reduced work week or temporary furloughs. As against this trend, several report rehiring of layoffs of January and February. Reports indicate im-proved labor-management relations, with strike agitation not receiving employee approval. All classes of labor are available in most areas.

#### Buying Policy

Still conservative and pre-dominantly in the "hand-tomouth" to 60-day range. Upward escalation of prices has about disappeared except in large capital equipment contracts, and price decline protection is more freely offered. While Purchasing Agents are mildly optimistic, it is expected that a short-range procurement policy will continue so long as most materials remain easily available.

#### Canada

Canadian order books have increased more than in the States. Production is a little better. Prices are about the same. Inventories are higher and employment is about on a par. Buying policy is somewhat more extended. In agreement with the opinions of buyers in the United States, Canadian Purchasing Agents are optimistic for continued improvement in industrial business.

## **Life Company Assets** Up \$1.5 Billion in First Quarter of 1954

Companies now hold over \$35 billion of corporate securities and \$21 billions of mortgages.

New capital in the amount of \$1,448,000,000 was made available for the national economy in the first quarter of this year through the increase in assets of all U.S. life companies, according to the Institute of Life Insurance. This is at an annual rate of nearly \$5,-800,000,000, compared with the 1953 total of \$5,167,000,000.

Total new investments of the life companies in the first three A composite opinion of pur- short range, and is expected to months of the year, including this new capital and also funds from maturities, replacements and sales, were \$3,654,000,000, compared with \$3,312,000,000 in the corresponding period of 1953.

Corporate securities comprised \$1,101,000,000 of the first quarter's new investments. This was, however, \$70,000,000 less than corresponding acquisitions in the first quarter of 1953, due largely to a Industrial materials prices have \$215,000,000 decline in the purpany, New failed to show the strength re- chase of industrial and miscellaneous bonds. Holdings of corporate securities on March 31 were \$35.053.000,000, an increase of \$658,000,000 in the quarter.

New mortgages acquired in the first three months totaled \$1,056,-000,000, only \$21,000,000 less than in the like period of last year. Mortgage holdings on March 31 were \$23,769,000,000, up \$494,000,-000 from the start of the year.

New policy loans made in the first quarter were 32% greater than a year ago, totaling \$178,-000,000, but old loans were paid off in large volume so that loans outstanding March 31 were \$2 .-956,000.000, un only \$62,000,000 in the first quarter.

#### Two With Investors Planning

(Special to THE FINANCIAL CHRONICLE) BOSTON, Mass. - Oswald A.

curement lead time and large Blumit and Peter A. Jones have joined the staff of Investors Plan-The origin of the rumors that them in their Investment Advi- Employment trend is slightly up. as a hedge against a steel strike, ning Corp. of New England, Inc.,

## White, President of N. Y. Sec. Analysis

William R. White, stock market analyst of Hornblower & Weeks, was elected President of the New York Society of Security Analysts.



He succeeds Sidney B. Lurie, of Paine, Webber, Jackson Curtis. Other officers annual election held at Schwartz Restaurant were: Nathan Bowen, Goldman, Sachs & Co., Vice-President; W.

Sturgis Macomber, Reynolds & Co., Treasurer; and Donald H. Randell, Home Insurance Co., Secretary.

Mr. White, who was financial news editor of the New York "Evening Post" for many years before joining Hornblower & Weeks, is a director of the national Federation of Financial Analysts Societies and has served as Vice-President of the local society for the last year. Previously he was program Chairman and has been active in the society's affairs for several years. Mr. White is a member of the Society of the Silurians Inc., an organization made up of men who worked on New York newspapers 25 or more years ago.

In addition to officers, five members were elected to the Executive Committee: Philip K. Anthony, of Kuhn, Loeb & Co., Lawrence R. Kahn of E. F. Hutton & Co., Walter Maynard of Shearson, Hammill & Co., Nicholas F. Novak of Drysdale & Co., and John Stevenson of Salomon Bros. and Hutzler.

## Twin City Bond Club to Hold Picnic June 17th

MINNEAPOLIS, Minn,-The Twin City Bond Club will hold its 33rd annual picnic on June 17 at the White Bear Yacht Club at White Bear Lake, Minn. The outing will be preceded by a cocktail party for members and guests in the Junior Ball Room of the Nicollet Hotel, Wednesday evening, June 16 from 6 to 9 p.m.

Scheduled for the day at the Club are a golf tournament, horseshoe tournament, tennis tournament, bridge tournament, swimming and boating. Also planned is a very special entertainment.

Reservations should be sent to K. C. Joas, Smith, Barney & Co. Tariff for guests \$25; for members, \$1, plus \$3 for the cocktail party, and \$6 for the picnic without golf; \$8 for picnic with golf

Members of the Picnic Committee are: C. M. Webster, General Chairman, J. M. Dain & Company; cocktail party, S. Jay Marsh, Woodard-Elwood & Company; transportation, Oscar M. Bergman, Allison-Williams Company; tennis and horseshoes, Willys P. Jones, Allison-Williams Comapny; golf, Wallace K. Fisk, John Nuveen & Co., St. Paul; special prizes, Robert A. Krysa, Harold E. Wood & Co., St. Paul; registration, Robert S. McNaghten, Williams-McNaghten Co.; publicity, Charles J. Rieger, Merrill Lynch, Pierce. Fenner & Beane; entertainment, Maynard W. Rue, J. M. Dain & Company; bridge tournament, Irving J. Rice, Irving J. Rice & Co., St. Paul: prizes, George A. Mc-Donald, First National Bank; prize solicitation, J. Lowell Driscoll, Merrill Lynch, Pierce, Fenner & offit field a through space and the purpose over mental and the contract of the property of th

Beane, and B. B. Knopp, First National Bank of St. Paul.

The announcements of the picnic have been printed in the form of a very handsome bond.

## L. J. Werschkul Sons

windows.

## Kansas-Nebraska Nat. **Gas Shares Offered**

An underwriting group, headed by Cruttenden & Co., Chicago, and The First Trust Co. of Lincoln, Neb., are offering publicly an issue of 10,000 shares of \$5 cumu-In New Larger Quarters stee of 10,000 shares of \$5 cumulative preferred stock (without par value) of Kansas-Nebraska PORTLAND, Oreg. — L. J. Natural Gas Co., Inc., at \$101 per Werschkul & Sons have anshare, plus accrued dividends nounced the removal of their offrom April 1, 1954. Concurrently, the company to the state of 10,000 shares of \$5 cumulative preferred stock (without par value) of Kansas-Nebraska par value) of Kansas-Nebraska par value) of the stock (without par value) of Kansas-Nebraska par value) of fices to new and larger quarters in the company is offering to its chosen at the the United States National Bank common stockholders of record Building, in which they have been May 21 the right to subscribe on located for some time. The new tional shares of common stock or before June 2 for 85,090 addi-

underwritten by the same group of investment bankers.

The net proceeds from the sale of the abovementioned securities, together with working capital, funds from operations and approximately \$4,500,000 to be raised by the sale of debentures (which are proposed to be sold by July 1, 1954 to institutional investors) will be used for construction of additional facilities to increase Kan- firm name of J. E. Call & Comsas-Nebraska's system capacity from 188,000 MCF to 206,000 MCF

Kansas-Nebraska Natural Gas Co., Inc. is an operating public utility company engaged in the common shares are being offered orado, and in its transmission and Shapiro.

to employees at the same price, wholesale and retail distribution The common stock offering is also in the States of Kansas and Nebraska, and retail distribution in Colorado. The company produced approximately 16% of its total gas requirements in 1953.

#### J. E. Call Co. Formed

SALT LAKE CITY, Utah-Jack E. Call is engaging in a securities business from offices in the Phillips Petroleum Building under the

#### Bond, Richman Branch

PATERSON, N. J.-Bond, Richoffices have been laid out with a (par \$5) at \$23 per share on the production and purchase of nat- man & Co. has opened a branch most attractive color scheme, basis of one new share for each ural gas in the States of Okla- office at 138 East 30th Street modern lighting and enormous 10 shares held. Any unsubscribed homa, Kansas, Nebraska and Col- under the direction of Max



## ood News for Telephone Users

FEDERAL EXCISE TAX FEDERAL EXCISE TAX ON LONG DISTANCE ON LOCAL SERVICE REDUCED REDUCED FROM FROM 15% TO 10% 25% TO 10%

THE reductions in federal excise taxes, voted recently by Congress, mean substantial savings for telephone users. Your telephone bill is lowered by the entire difference between the old and the new taxes.

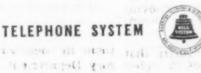
Instead of paying 25% on Long Distance ealls, you now pay 10%. On Local telephone service, the tax is now 10% instead of 15%.

The entire amount of the saving in taxes comes off the bills of our customers. None of it is retained by the telephone companies.

The reductions went into effect on April 1 and apply to service billed to you on or after that date.

Now it costs you even less to keep in touch by telephone.

. BELL TELEPHONE SYSTEM



The Part of the Pa

## Corp. Bond Traders Elect Abbe Pres.



Richard F. Abbe of Shearson, Hammill & Co., of New York has been elected President of the Corporation Bond Traders Club of New York. Mr. Abbe is Past Presdent of the Security Traders Association of New York and was formerly a member of National Association of Security Dealers District 13 Committee.

## J. O. Jordan, III, With Hill Richards & Co.

SAN FRANCISCO, Calif.—Hill Richards & Co., 155 Montgomery Street, announced that James O. Jordan, III, has joined their San Francisco office as Manager of the Bond Department. For the past four and one-half years Mr. Jordan has been associated with Heller, Bruce & Co. Prior to that he was Assistant Manager of the Bond Department of California Bank in Los Angeles. He is a Lieutenant Commander in the U. S. Naval Reserve, a member of the San Francisco Bond Club; the Street Club; the Press and Union League Club; Security Traders Association and the Guardsmen.

#### Joins Bear, Stearns

(Special to THE FINANCIAL CHRONICL'E) CHICAGO, Ill. - Sylvester M. Dillmann has become associated with Bear, Stearns & Co., 135 South La Salle Street. He was formerly with Hornblower & Weeks and Paul H. Davis & Co.

#### Boland With White, Weld

(Special to THE FINANCIAL CHRONICLE) CHICAGO, Ill. - Raymond H. Boland has become associated White, Weld & Co., 231 South La Salle Street, Mr. Boland was formerly with Stone & Webster Securities Corporation and Blyth & Co., Inc.

> U. S. TREASURY STATE and MUNICIPAL SECURITIES



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## Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

A thin and highly professional government market is being moved about rather readily by the trading fraternity. Quoting up and quoting down of prices of many Treasury issues, in not a few instances, represents the bulk of what is going on at times. The market is still in the process of making homes for the new note issue, which continues to go into strong hands. Switches from the older outstanding securities into the new money obligation is still going on even though the pace has been slowed quite a bit.

Sellers have been appearing here and there in the longerterm 21/2s with the proceeds, according to reports, being put into tax-exempt obligations. The talk about changes in reserve requirements of the deposit banks still persists, even though each Thursday so far has been a day of disappointment for those that have been waiting for the announcement to be made. When there is a change in reserve requirements, it most likely will come at a time so that some element of surprise will be involved.

#### Reserve Banks Help Finance Note Purchase

It seems as though there will be no change in reserve requirements of the commercial banks until the Treasury comes into the market again for deficit financing purposes. The Federal Reserve Banks in the past week used "open market operations" for the first time since March 24 to give help to the money market, especially to the New York City and Chicago banks which have been on the light side as far as excess reserves have been concerned. There was need for additional funds on the part of the large commercial banks in the Central Reserve City areas in order to assimulate the new issue which was being offered by the Treasury. Accordingly, Federal came into the market and made available funds, which were used by these deposit institutions mainly to take up the allotments which had been made to them in the 1 1/8 %

To be sure, "open market operations" can have a very definite influence upon the trend of the money markets and it does give greater flexibility of action than is the case when reserve requirements of the commercial banks are changed. However, the effectiveness of "open market operations" takes more time because it is not as quick as would be the case if there were to be a change in reserve requirements. The fact that substantial sums of money can be made available at once through a change in reserve requirements is the important factor in such an operation as far as the money markets are concerned.

#### Large Treasury Borrowing in Prospect

The Treasury will end the current fiscal year with a sizable deficit somewhere between \$31/2 and \$4 billion, but the recent financing operation has taken care of supplying the money that will be needed to meet this deficit. However, with the new fiscal year which starts on July 1, there will really be a need for very large amounts of money to finance the contemplated deficit. It is estimated that at least \$10 billion will have to be raised in the last six months of 1954, which means that the commercial banks will have an important role to play in this operation. Even though the business pattern continues to show a flattening out as far as the decline is concerned, it is not expected that there will be any important change in monetary policy. There will have to be more tangible evidence over a longer period of time about the way in which business is going before the monetary authorities will be inclined to modify the current easy money program.

The inflation fear appears to have been well relegated to the background because of the ample supply of goods and services and unless there is a repetition of the pre-Korea psychology, with its resultant effect upon prices, there should be no need for any important change in monetary policy. An easy money market with an ample supply of credit so that the needs of commerce and industry are well taken care of appears to be what the powers that be are endeavoring to bring about.

#### Bulk of Borrowing to Be Short-Term

On the other hand, the deficit of the government must be financed and it is not expected that this will be done at a high interest rate. In the first place, a substantial part of the deficit will be taken care of by tax anticipation issues which should not be too much of a burden as far as the cost of carrying them is concerned. A sizable amount of the deficit will be financed through the sale of securities to the commercial banks, and in order to do, that there will have to be a relaxing in reserve requirements especially among the large money center institutions. However, action on reserve requirement, when it does come, will most likely be all embracive, so that the smaller banks will also share in it even though they now have the bulk of the excess reserves. A token long-term offering could be made to keep the prices of the outstanding issues from getting out of line on the

#### With MacNaughton-Greenawalt & Co.

(Special to THE FINANCIAL CHRONICLE) GRAND RAPIDS, Mich.-Lynn H. Clark has become affiliated with MacNaughton-Greenawalt & Co., Michigan Trust Building. members of the Detroit and Midwest Stock Exchanges.

#### Now Branch Manager

Newburger, Loeb & Co., members of the New York Stock Exchange, have appointed Lewis H. Miller Associate Manager of the £31 Madison Avenue branch (at 74th Street), New York City. Mr. Miller has been with Newburger, Loeb & Co. since 1950.

## Securities Salesman's Corner

By JOHN DUTTON

#### Stay on the Beam

to me that are worth repeating in this column. Once again, Larry Moorman, Vice-President of National Securities & Research Corp., who is well known to the many dealers throughout the south who are retailing shares of National funds, has sent me something that I believe is very worthwhile passing along. Here goes:

"Have you ever started talking to a client about an investment designed to provide better than average dependability; conservation of purchasing power; better than average income; more buying power—and then have the interview bog down, or get com-pletely off the track, because the client wanted to talk about market levels, appreciation, growth, conservation of dollars, defense on the down-side or some other off the beam topic?

"As you gained experience, you learned to keep the interview confined to finding the problem and the proper solution. You used the right tool for the right job. You did not try to drive nails with a saw. It doesn't take much experience in the investment business to know that no one investment can do all things equally well. In other words, you can't invest, speculate and be defensive with the same dollar. If you must do all these things it will be necessary to split your money into three parts and select the proper investment for each part. This way you keep it simple and avoid

confusion. "Some of you may remember Doug Laird. He is a grand salesman and a stickler for simplicity. A pencil, a piece of paper on a corner of a prospect's desk and Doug was in business. There never was any confusion because the first thing Doug did was to draw a pie chart-a circle divided into three sections-to pin point the problem. One section had a dollar mark in it. This represented reserves, backlog, or dollar equivalent. The second section was labeled gain and the other section income. It was soon discovered how the man was currently invested, or balanced, and just where he wanted to put his next money. Questions brought this out. They developed the problem. No security or investment was mentioned until the need was dis-

Keep it simple-find out what the prospect wants-if he doesn't have a clear idea in his mind help him find it. Then stick to the point. That's the prescription and it is going to be more important than ever during the next year or 6:30 p.m.-Annual Dinner. so to have an understanding with your clients on this sort of a sound foundation. The way it looks confidence is returning, the public is beginning to stir. Profit talk is in the air, and it could well be that there will be a broad upward move in the market.

Recently clients who have held sound dividend paving securities that have not participated in the rise in the price of some of the specialties and blue chips have become a bit restless. The urge to speculate is beginning to reappear. It is very easy for a securities salesman to take the lines of least resistance and go off the track. The quickest way to more business during a period of rising confidence is to sell short-term profits, quick turns, and to allow your accounts to downgrade their lists. This is also a sure way to run into trouble that will come along sooner or later.

Occasionally, I receive letters doesn't know how to set up a from friends who pass along ideas sound program of investmentsafter he has one he forgets to keep it in good repair-and when a broad bull market starts you must continually remind him that bull and bear markets come and go but his need for income goes on until the end of his days, then his family will need it. Without capital there is no income. Without a sound program no investor can look forward to the future with confidence and have peace of mind.

Larry Moorman is right—keep it simple—sell what the customer needs-after you help him determine those needs stick to the point. Don't let him forget it. In a period when reaching for speculative profits is something that you will have to talk about and recognize every working day, there is still a lot to be said for Doug Laird's pie chart. I'd cut a corner off - say about 10% for some and a bit more for others and say, "OK that's fine, we'll see what we can select that looks like a good speculation. How about cutting off a corner for that. I'd suggest about 10% for speculative stocks. Doesn't that sound about right to you?" Then stick to it. The only customer that ever gave me a hard time was the one with whom I didn't have an understanding. And you have to keep reminding them too.

## **Boston Analysis to Hold Annual Meeting**

BOSTON, Mass. - The Boston Security Analysts' Society will hold their 8th Annual Meeting, to be held on June 1, 2, and 3. The program includes:

#### JUNE 1

2:00-3:00 n.m.—Choice of:

"The Business Situation" by Charles C. Abbott, Professor of Finance, Harvard Business School.

"The Paper Industry" by William H. Chisholm, Vice-President, Oxford Paper Company.

3:00-4:00 p.m.—Choice of:

'Which Industries" by Armand G. Erpf of Carl M. Loeb, Rhoades & Co.

"The Oil Industry" by Winfield H. Perdun of Smith, Barney

4:00-5:00 p.m.—Choice of:

'Money Rates" by Sidney Homer of Scudder, Stevens & Clark. "Canadian Securities" by William T. Moran of Greenshields & Company, Montreal.

"The Future of Atomic Energy in Industry" by Gordon Dean, Former Chairman of the Atomic Energy Commission and now associated with Lehman Brothers.

JUNE 2 — (All Day Field Trips) Choice of:

1. Dewey & Almy.

Photon, Inc. 2. Polaroid Corporation. Ultrasonic Corporation.

3. Boston Edison.

Gillette.

JUNE 2 and 3 (2 Day Field Trip) Oxford Paper Co. Maine Central Railroad.

#### New Hardy Branch

Southampton, N. Y.-Hardy & Co. has opened a branch office at Meetinghouse Lane & Main Street The average security buyer who under the management of Lester is a non-professional investor T. Doyle, a partner in the firm.

## Public Utility Securities

#### United Gas Corporation

Part of the system's gas require- customers. ments are produced by Union Producing Company and trans-mission is handled by another wholly-owned subsidiary, United Gas Pipe Line Company, while the parent company takes care of retail distribution. Duval Sulphur & Potash Company is also controlled through ownership of nearly 75% of the common stock.

The entire system serves part of Texas, Louisiana and Mississippi, extending into southern Alabama, to Pensacola in the northwestern part of Florida, and to the international boundary at Laredo, Texas. In addition to natural gas, subsidiaries are also engaged in the production of crude oil, recovery of natural gasoline and other liquid hydrocarbons through natural gasoline plants, cycling plants and by condensation, and the production of sulphur and potash. System operations include considerable wholesale business.

Union Producing Company is engaged in exploration and development of lands for the production of natural gas, oil, etc., and owns 634 gas wells plus an interest in 514 other gas wells. It also owns 455 oil wells and has an interest in 191 other oil wells. These wells are located in 93 fields in Texas, Louisiana, Mississippi, Oklahoma and Arkansas. Reserves approximate 4.3 trillion cubic feet compared with the 22.5 trillion of reserves of supplying companies. Last year total reserves increased about 1 trillion cubic feet after the sale of 1 trillion cubic feet of

United Gas Pipe Line Company purchases all of its gas requirements, operates plants for the extraction of natural gasoline, etc., and transports gas to cities, towns and industries and to connections with other pipe line companies. It owns and operates 1,254 miles of field lines and 8,040 miles of main transmission lines. Sales are made to the distribution divisions of United Gas Corp., other distribution systems and pipe line companies, power plants, oil compulp and paper mills, chemical plants, synthetic rubber plants, cement and lime companies, aluminum plants, sugar refineries, brick and tile companies, glass companies and other industries in the states of Texas, Louisiana, Mississippi, Alabama and Florida.

The distribution divisions of the parent company deliver gas to residential, commercial, industrial and other customers in 309 cities, towns and communities and in

REASURE CHEST in the GROWING WEST area served by Utah Power & Light Co., offers tremendous opportunity to industry. AREA RESOURCES BOOKLET on request P. O. Box 899, Dept M., Salt Lake City 10, Utah

United Gas Corporation is the rural areas in Texas, Louisiana, second largest natural gas system, and Mississippi. They own and consolidated 1953 revenues of operate 10,876 miles of distribu-\$209 million comparing with Co-tion and service lines and at the lumbia Gas System's \$232 million. end of the year served 465,254

> Duval Sulphur & Potash is engaged in the mining of sulphur Orchard Dome in Fort Bend County, Texas, and the mining and processing of potash from leases in Eddy County, New Mexico.

United Gas Corp. is not affected by the recent Panhandle decision of the Federal Power Commission since there has always been "arms-length bargaining" between it and the producing subsidiary with respect to gas purchases. In other words the gas purchased from Union Producing Company (which company had been in existence prior to acquisition of control by United Cas Corp.) has been on the same cost basis as gas purchased from other producers. While last year the subsidiary supplied slightly less than one-quarter of the System sales, the fact that its earnings have not been regulated on an 'original cost" basis has improved the system showing.

Thus far the system has not been hurt by the price squeeze in gas. However President McGowen, in a recent talk before the York Society of Security Analysts, expressed some apprehension that if the rise in the field price of gas should continue further (some recent contracts as high as 25c per mcf. have been to have the expendable resources it was true, as he had heard, that reported) producers might "price themselves out of the market." He mentioned plentiful supplies of coal in Alabama and lignite in Of course in northern areas where cost must include perhaps 20c more for transportation, the danger from competing fuels might be even greater, depending largely on shipping costs for coal or oil.

The capital structure of United Gas is simple — 57% long-term debt and 43% common stock couity-and the ratios at the end of 1954 are expected to be 55% and 45% respectively. Plant acfor gas plant acquisition adjustments (being amortized through 1962 at the rate of \$1,502,655 per annum) and there may be some intangibles in the plant of Union Producing Company.

Mr. McGowen estimated 1954 earnings at \$2.18 (vs. \$1.99 in 1953) assuming that the company can work out the rate cases now before the FPC (with revenues collected under bond). If earnings reach this level and the FPC problem is out of the way, he felt that there might be a possibility of an increase in the present \$1.25 dividend rate. In the first quarter of 1954 77c a share was earned compared with 72c on a smaller number of shares in the same period of 1953.

The company does not plan any financing for this year; if necessary a bank loan will be used. The construction program is tapering off-only about \$43 million cash will be required this year, it is estimated, about half the average for the years 1951-53. As of Jan. 1, the company had cash assets of \$53 million, and it is estimated that this will dip to \$35 million at the year end, with the balance of construction funds provided by depreciation, depletion and retained earnings.

The stock is currently selling on the New York Stock Exchange around 32 to yield 3.9%.

LETTER TO THE EDITOR:

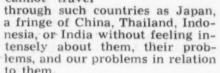
## Sees Overpopulation in East a World Problem

Robert N. Tuller, New York Investment Banker, gives his impressions of a round-the-world trip, which included Japan, the fringe of China, Thailand, Indonesia and India.

Editor, Commercial and Financial physical numbers to the produc-Chronicle:

After 25 years prosecuting the dedicated to the principle that my

purpose was one of pleasure. Consequently, have not studied the economic aspects of any one country in a manner which would qualify me to write an article on that country's governmental securities. However, one cannot travel



Robt. N. Tuller

The outstanding impression I have is the problem of POPULA-TION! Our efforts to aid these amusing to read much more in peoples with food or clothing or their newspapers about the hydroshelter are destined to be relatively futile until and unless their in our own. But the literate wonsolved. America does not begin asked me in all sincerity whether to aid these peoples in a traditional manner. Such well-intentioned efforts would be as effective as attempting to extinguish an oil well fire with a bucket of

And so I would say to the many and various research foundations dedicated to the welfare of humanity that they concentrate some effort on placing in the hands of fective method by which they may correlate and adjust their oil and tin, for example, are only Shelby Cullom Davis & Co.

tive possibilities of their economies. Until one has seen the livmunicipal bond business, I left ing conditions of these teeming New York City on this world trip millions, one cannot understand why the problems of disease, poverty and ignorance are not just simply a matter of, say, penicillin, subsidy, and education. The control of population as an objective would apparently not be contrary to religious taboos, though such are legion.

The average simple man is too close to the subsistence level not to appreciate the fact that with fewer numbers there would be more to divide. I have been met by kindness and courtesy everywhere, even among the poorest, and yet I have never witnessed such contrast and disparity between the many poor and the few rich.

We can truthfully help these peoples only by teaching them to help themselves control their numbers. They are not interested as a mass in our political ideologies, nor will they be. The struggle of life versus death is too close to permit of such luxuries. It is gen bomb than appears relatively problems of population in relation der and fear what we are going to resources and productivity are to do with it. My Kashmir friend the United States had given the hydrogen bomb to Pakistan for such use as the Pakistani might wish to make of it. I told him that while it was not given to the force, I did think I could reassure him that we had not given the bomb to Pakistan.

I think we should ponder on the these peoples some simple and ef- fact that many of the so-called riches of the East, such as rubber,

riches because of the Western Industrial Revolution. They will never have the same value to these peoples as to us until they are industrialized, but there another political force at large in the world which undoubtedly appreciates such values and would be completely ruthless in getting them. However, until the Industrial Revolution progresses as far behind the Iron Curtain as it has in Europe and the United States, the loss of these sources of wealth will not be to their relative gain.

Communism would have no qualms in solving my concern with over-population via the gun or planned famine. Let us hope that such a force is not ready to move before the Asiatics come to know their own proper potentialities.

At this writing, I am only a little more than half way around the globe, but I feel certain that my remarks will apply equally from the Himalayas on through the Appenines.

ROBERT N. TULLER.

Robert N. Tuller Co., 25 Broad Street, New York City.

## **Northern Trust Group** Offering \$9,830,000 **Dallas School Bonds**

Northern Trust Co. of Chicago heads a syndicate offering \$9,830,-000 Dallas, Texas, Independent School District, 4%, 21/2% and 1% bonds, due June 1, 1955 to 1974, inclusive. The bonds are offered at prices scaled to yield from .80% to 2.90%, according to maturity.

Other members of the offering group include: The First National Bank of Chicago; Goldman, Sachs & Co.; Kidder, Peabody & Co.; United States citizen to know Alex. Brown & Sons; Dean Witter much at this time about atomic & Co.; The Boatmen's National Bank, St. Louis; W. E. Hutton & Co.; First National Bank in Dallas; Bache & Co.; Stern Bros. & Co.; The Milwaukee Company; Tripp & Co., Inc.; Rand & Co.;



# Rome Cable MANUFACTURER OF ELECTRICAL WIRES CABLES CONDUITS Reports its 18th year of Progress

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Het Sales : : : : :				\$44,115,000								\$54,633,000
Income before Taxes				5,347,000								8,029,000
Total Taxes				3,709,000					÷		÷	6,021,000
Net Earnings								:				2,008,000
Net Earnings per Common Share .												\$4.01*
Total Taxes per Common Share .	. ,			7.43				÷			i	12.04
Share Owners' Equity per Common	Sh	аге		27.14								25.25
									0 121	m a		

\* At March 31, 1954 there were 499,427 shares outstanding compared to 500,273 shares in the prior year.

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SALES OFFICES AND WAREHOUSES IN PRINCIPAL CITIES

## Wi.; Atomic Energy Act Annual Meeting of **Should Be Amended**

Jerome D. Luntz, Editor of "Nucleonics" magazine, published by the McGraw-Hill Publishing Company, says changing Atomic Energy Act to facilitate industrial participation is timely and constructive.

In a prepared statement presented to the Joint Congressional Committee on Atomic Energy on May 10, Jerome D. Luntz, Editor of "Nucleonies," a maga-

zine published by the Mc-Graw-Hill Publishing Company urged enactment of the bill pending in Congress to facilitate participation of industry in all kinds of nuclear power developments. The high

follows:



lights of Mr. Luntz's statement

(1) A survey of industrial reaction to the proposed legislation, conducted by "Nucleonics" magazine with the technical assistance of the Atomic Industrial Forum among 351 industrial concerns and key professional people, (just completed) shows overwhelming support for revising the law substantially along the lines of the Cole-Hickenlooper bill.

(2) Changing the Atomic Energy Act now to facilitate industrial participation is timely because of the intense interest of industry in all kinds of nuclear power plants.

(3) The proposed bill would represent an interim change. Further changes in the legislation will be necessary as the atomic energy industry develops.

(4) The Government should play a positive role in disseminating nonsecret atomic energy information to industry and to the

(5) One application of nuclear power that may be pursued by industry this year if the Act is changed as proposed in this session of Congress is the construction and sale of "package" nuclear power plants for location in highcost-power areas.

Two proposed revisions of I t relating to nunishment for dis poure of classified information, ray create an atmosphere of intimidation and harassment and may inhibit the desired dissemination of information.

## James Felchlin on Trip To Chicago and N. Y. C.

James A. Felchlin, Resident Manager at San Francisco for F. S. S ithers & Co., New York City, will take an extended trip of several weeks to Chicago and New Yo k City, accompanied by his wife, Sybil, who is making the trip with him for the first time."

#### New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

David B. Stern will retire as an officer of A. G. Becker & Co. Incorporated May 31.

Peter C. Wright-Clark retired as a limited partner in Ross, Blanchard & Co. April 30.

## Chicago Inv. Analysts

CHICAGO, Ill. - The Annual Meeting of the Investment Analysts Society of Chicago will be held on June 10, in conjunction with the last luncheon meeting of the season. Purpose of the meeting is to provide for the election Northern Trust Co. of officers, and members of the Board of Governors, for the fiscal year 1954-1955.

The Board of Governors has appointed a Committee on Nominations consisting of J. Parker Hall, Chairman, University of Chicago; J. Franklin Bickmore, Boettcher Hartman L. Butler, Jr., Duff, Anderson & Clark; Ed. K. Hardy, Jr., The Illinois Company; Arthur J O'Hara, Northern Trust Co., and Richard H. Samuels.

following nominations for officers Trust & Savings Bank. for the fiscal year 1954-1955:

President - William G. Maas, White, Weld & Co.

Vice-President - J. C. Knotter, American Associated Insurance

Treasurer - Thomas F. Duffy,

Secretary-Lucian B. Wilkinson. Board of Governors-One-year term (to replace J. C. Knotter who is resigning because, by virtue of being an officer, he will be an ex-officio member of the Board):

Three-year terms: Philip C. Big-

having duly met, has proposed the Co.; William C. Norby, Harris

## **Public Representatives** Of N Y Stock Exchange

Keith Funston, President of the New York Stock Exchange, has announced the re-appointment of the three Public Representatives —John Sloan Dickey, Clarence Francis and Charles R. Hook—to the Exchange's Board of Govern-

Dr. Dickey is President of Dartmouth College and has served as a public governor since May, 1953; gert, Scudder, Stevens & Clark; General Foods Corporation, has State Bond & Mortgage Company, Wayne R. Bennett, Continental been a public governor since May, 28 North Minnesota Street.

The Nominating Committee, Illinois National Bank & Trust 1952, and Charles R. Hook, Chairman of Armco Steel Corporation, was first elected in May of last year.

> The office of Public Governor of the Stock Exchange was created in 1938 to bring to the Board of the Exchange a closer understanding of the public viewpoint and interest. The Board is composed of 28 other governors, the Chairman and the President of the Exchange.

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405,000	4	1957	1.10
405,000	4	1958	1.25
405,000	4	1959	1.40
405,000	4	1960	1.50
405,000	4	1961	1.60
405,000	4	1962	1.70
405,000	4	1963	1.80
405,000	4	1964	1.90
405,000	2 1/2	1965	2.10
405,000	2 1/2	1966	2.15
405,000	2 1/2	1967	2.20
730,000	2 1/2	1968	2.30
730,000	2 1/2	1969	2.35
730,000	2 1/2	1970	2.40
730,000	2 1/2	1971	2.45
730,000	1	1972	2.90
470,000	1	1973	2.90
520,000	1	1974	2.90

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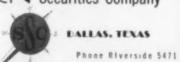


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On tour of Bell Aircraft Corporation helicopter plant at Ft. Worth: F. Vincent Reilly, Commercial & Financial Chronicle, New York; William H. Cooley, Television Shares Management Corporation, Chicago; Paul A. Just, Television Shares Management Corporation, Chicago; Phillip J. Clark, Amos C. Sudler & Co., Denver; William J. Corbett, Jr., Burns, Corbett & Pickard, Inc., Chicago; Hiram F. Bright, Harris Trust & Savings Bank, Chicago; A. McIntyre Leary, Barrow, Leary & Co., Shreveport, La.; Robert M. Gardiner, Reynolds & Co., New York; Avery Rockefeller, Jr., Dominick & Dominick, New York; Quitman R. Ledyard, Equitable Securities Corporation, Nashville



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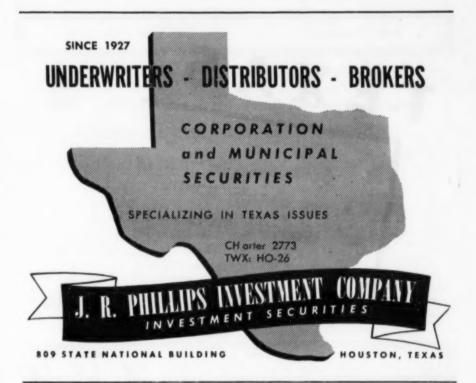


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# Blue Sky Problems in the Public Financing of Oil and Gas Ventures

selection of an expert is one of the tablished.13 most important decisions made his qualifications with certain of ultimately be required to deter- oil and mineral securities.14 mine the accuracy of his compu-

by experts on behalf of issuers whose securities are registered under the Act are accepted by most state commissions without more than casual scrutiny. The problem, however, remains a troublesome one for issues sought to be qualified under state securities statutes which have been accorded an exemption from registration under the Act.

The diverse nature and multiplicity of the problems involved in any multistate blue sky effort may perhaps best be illustrated by reference to certain specific state requirements.

In many states, the issuer who desires to make an initial offering to its own stockholders is confronted with the further requirement of registering as a dealer.11 In certain other states having this same requirement, however, such a transaction may be exempt when an offering is made by an issuer solely to its own stockholders and does not involve the payment of a commission or other remuneration. Unfortunately, however, this exemption has been held in a great majority of states not to apply to an offering underwritten on a standby basis. The denial of this exemption can apparently be ascribed to the fact that in this type of an underwriting the compensation of the underwriter is usually computed on the basis of the entire issue, and not merely on the unsubscribed portion to which the underwriter is committed. Certain states have already taken action to correct this situation which is based upon a rather technical statutory construction. Illustrative of this trend is Section 4B of the newly enacted Securities Law of the State of Illinois which specifically exempts such standby offerings.

The Illinois Securities Law,12 prior to the enactment of the new perhaps the questionable distincsome and obstructive law of its kind. Securities sought to be each with its separate requirements. The application to qualify such securities was required to be both executed and acknowledged in the State of Illinois. The issuer reeking registration of its securities was required not only to file a formal consent to submit to the jurisdiction of the courts of Illinois, but was further compelled to qualify to transact business in that state and to thereafter withdraw after the offering was consummated. An offering made by or on behalf of the issuer not in business for at least five years was automatically determined to be a Class D or "speculative" se-curity and the submission of an appraisal of all of its properties sion corporation which had not tion of state statutes. Fortunately, ing of an offering sheet with the Texas, and an additional certifibeen in existence for the re- the sympathetic treatment given Commission but can in no event cate evidencing the continued

Differences of opinion are often quisite period, to submit an apresolved by compromise, but the praisal of all its extensive propestimate, in the last analysis, must erties, despite the fact that its be approved by the Commission's earnings pattern and financial experts. It is evident that the stability had been definitely es-

The securities law of Connectiby any prospective issuer of such cut presents a variation in it3 securities. Unless the expert's regulatory approach, for although reputation is established beyond it is a fraud type of statute which question it is perhaps well to clear customarily is only directed to the licensing of dealers, it neverthethe regulatory agencies, which will less requires the qualification of

The statutes of certain states permit the Securities Adminis-The reserve estimates submitted trator, in his discretion, to require the posting of a surety bond to guarantee compliance with its provisions. A few states, such as Alabama, require the posting of a bond without exception and whether or not the issue sought to be qualified was registered under the Federal Act. The Alarecently revised to exempt issues onerous requirement.15

The state of Kansas requires that all applications to qualify securities in that state be filed by a Kansas attorney. 16 Although such a statute evidently has the endorsement of a substantial part ment is an example of another petty nuisance confronting interstate distributors of securities.

Another rather disconcerting problem relates to the exercise of the authority permitted Securities Administrators under many state statutes to pass upon the investment quality of the issue ought to be registered. There is virtually no legislative standard to guide the state official in making such determination and, although this authority is on the whole exercised with appropriate restraint, some unusual situations have been known to occur. The State of Iowa, on one occasion refused to qualify a fully registered underwritten issue of preferred stock of a large gas transmission corporation although it had permitted the sale of its common stock only a year previously. It might be added that the financial position of the issuer was at all times extremely satisfactory. This situation merely illustrates the imponderable factor which necessarily exists in such regulatory procedures.17

The diverse advertising requirements of the several states also warrants consideration, for most jurisdictions require the submission and approval of all and completely revised Act, had material by the state regulatory The publication of a agency. tion of being the most cumber- standard announcement type of method employed in certain states fied by the acceptance of a copy persons. The use of this exemption advertisement which includes the to finance small gas and oil ven-names of nonregistered dealers tures. Although defined as securegistered in Illinois were divided has in some instances been held rities by both Federal and state sion in lieu of the plethora of re- corporated under the laws of into four inflexible categories, to violate state statutes. The use statutes, and subject to their re- quired exhibits.<sup>26</sup> This eliminates Texas and must necessarily by a of the restrictive or hedge clause spective procedures, these oil and indicating such a publication is made only on behalf of registered dealers and does not insure compliance with all state statutes. The problem is reglatively simple if the advertisement is confined within the boundaries of one state but is somewhat more formidable when viewed in connection with the interstate circulation of newspapers and magazines. Obviously, the matter is one which compels the institution of a uniform practice.

The distribution of identifying statements and preliminary prospectuses permitted under Rules 131 and 132 of the Securities Act was a condition precedent to regis- initially presented a rather subtration. This procedure was in- stantial problem, for in some flexible, and on one occasion pro- states the use of these "red herduced the anomalous situation of ring" prospectuses was held to compelling a large gas transmis- constitute an offering in viola-

this matter by State Adminis- be obtained by any person who corporate existence in good stand-trators by the promulgation of is a dealer as defined in the Se- ing which has been authenticated permissive regulations, or by curities Exchange Act unless such amendment of statute where required, resolved the difficulty in practice and extreme caution is material so as not to violate the statutes of such states. 18

The requirements of state qualification procedures with respect to securities registered under the Securities Act are substantially different and less formidable from those applicable to issues exempt from registration under Regulations A and B. This can be attributed in part to the extensive disclosure required of registered issues and is indicative of a more complete integration of Federal and state procedures. 19

The financing of small scale oil and gas corporate ventures, requiring capital not in excess of \$300,000, 20, is often accomplished through the use of the exemption from registration provided by Regulation A. This procedure has the decided advantage to the issuer in the promotional stage, of avoiding the full disclosure rebama statute, however, has been quirements, as well as the rather substantial expense, incident to a registered under the Act from this registration effected under the

The Regulation A exemption may be obtained with relative ease by simply filing a Form of Notification and offering circular in triplicate with the regional office of the Securities and Exof the Kansas Bar, the require- change Commission in which the issuer's principal place of business is located. 21 This offering circular, the use of which has now been made mandatory, fails to provide more than cursory information relating to the issuer of the securities. The issuer moreover is not required to furnish an estimate of reserves or to supply any other geological information; and only those issuers in the promotional stage are even required to include a brief description of the properties to be operated or developed. In addition to uncertified financial statements covering a two-year period, the offering circular must disclose the offering price, underwriting commissions or discounts, the purpose for which the proceeds received from the sale of securities will be used, and certain other information relating to material transactions with promoters, directors and officers of the issuer, 22

> It is evident that compliance with the procedure prescribed under Regulation A presents little difficulty to a prospective issuer. Nor does it furnish any substantial safeguards to the investing public.

> The public distribution of fracgas interests are specifically excluded from the exemption pro-vided for by Regulation A. This type of offering however, is accorded an exemption from registration in an amount not exceeding \$100,000 pursuant to Regulation B. 23

The exemption is not available to any offering-other than those representing a participation in a landowner's royalty interest—unless the operating lessee retains a minimum working interest of 20% in the property under development. The recently modified Rule 314 however, eliminates such restriction with respect to issues that do not exceed \$30,000, provided the smallest interest offered for sale is not less than \$300.

person is registered. 24

The information required to be most jurisdictions. Certain of the included in this offering sheet is states, however, still prohibit this prescribed by Rule 330 and varies depending upon the nature of the required in the distribution of this oil and gas interest offered for sale. The disclosure requirements however are rather detailed and not unlike that called for in Form S-10, which is the appropriate form of use in connection with the registration of fractional undivided interests in oil and gas rights. The geologist's report may be included in the offering sheet but has not been made manda-Rule 328, however, does prohibit the use of any information relating to an estimate of oil and gas recoverable from the property involved unless such an estimate is included in the offer-

The offering sheet prescribed by Regulation B further requires the incorporation of the proposed instruments of conveyance and a rather detailed map of the property to be developed and certain adjacent properties which indicate the extent and results of any prior exploration.

A copy of the offering sheet is required to be delivered to every potential investor prior to the consummation of any sale, and Regulation 320 (d) provides that the offerer deliver to the entire issue. purchaser satisfactory evidence of the validity of title which he is

to receive. The relatively slight use made of Regulation B in the financing of oil and gas ventures must be attributed in large measure to the less stringent requirements and the larger exemption provided by Regulation A, as well as a rather pronounced preference of both dealers and the investing public for corporate securities. 25 Another factor in this trend has been the more extensive use of the intrastate transactions involving a restricted number of investors which are exempt both under the Federal Act and under the statutes of the majority of

A review of the qualification Texas Securities Act will serve to demonstrate the varied require- return as dividends.29 ments applicable to registered and exempt offerings.

The filing of a uniform application is the initial step in the qualification of registered corporate securities. Although this form of National Association of Securities Commissioners for use in connection with offerings other than oil and gas issues, its use is never-theless permitted in Texas to qualify all securities.

In the state of Texas the qualitional undivided interests in oil fication procedure relating to tain conditions to issue and sell and gas rights offers another registered issues is further simpli- securities to not more than 25 the troublesome problems inprospectus is invariably accepted by the state regulatory agency without further question.

> The application to qualify securities which are exempt either under Regulation A and B, or by virtue of their intrastate character, requires the submission of that the Texas Securities Act does more detailed information than not contain a "private offering that sought of registered issuers. There are numerous exhibits which also must accompany the application including financial statements, property maps, geologist reports and property appraisals

All issuers of securities, whether or not registered, are required to include an assignment of an oil The Regulation B exemption is file a formal consent to submit to and gas lease, an oil payment, a further conditioned upon the fil- the jurisdiction of the courts of

ing which has been authenticated by an appropriate official of the issuer's state of incorporation. 27

The application to qualify an unregistered issue is unquestionably given a more meticulous scrutiny by the Securities Commissioner than that given to a registered counterpart.

A permit to offer the securities for sale in Texas is issued if in the opinion of the Securities Commissioner upon due consideration of the application, "the proposed plan of business of the applicant appears to be fair, just and equitable and the securities which it proposes to issue . . . will not work a fraud upon the pur-chaser." 28

The distribution of all securities must be effected through registered dealers. If the issuer par-ticipates in the offering of its securities, it too is required to register as a dealer unless such distribution is exempt under Section 3(c) of the Texas Securities Act as "a distribution only to its stockholders and without the payment of any commissions." It has been held, however, that an underwritten issue on a standby basis, which is initially offered by an issuer to its stockholders, does not fall within the purview of this exemption if the underwriters' commissions were either directly or indirectly predicated upon the

The state procedure is comprehensive and permits the exercise or a further substantial control over the more speculative type of securities. The amount of promotional securities may be reviewed by the Securities Commissioner who may require the revision of a proposed plan of financing in this respect as a condition to the issuance of a permit. A regulation has been promulgated to supplement this procedure which prohibits the issuance of promotional securities in excess of 20% of authorized capital. The promoters of any such corporate issue are also compelled to subscribe for at least 10% of invested capital and are further required to deposit such shares in escrow, to be held subject to the direction of the procedure prescribed under the Secretary of State until the other shareholders receive a specified

There is little doubt but that the exacting requirements of the Texas Securities Act imposes a rather substantial restraint upon the financing of the promotional oil and gas venture. The effect of application was adopted by the this arduous procedure, however, may sometimes be avoided by resort to the exemptions prescribed oy Sections 3(e), (j), (k), and (1) of that Act. The most frequently used exemption is that accorded by Section 3 (j) which permits a domestic corporation under cerof the prospectus filed with the although not limited in amount, Securities and Exchange Commis- is restricted to corporations incorporated under the laws of wholly intrastate transaction. Alvolved in the establishment of the though the existence of rather reserve estimates; for the geolo- substantial amounts of speculative gist's computation included in the money in this region permits the financing of many promotional oil and gas ventures by reason of this and similar exemptions, large scale acquisitions of capital require the use of the multistate distributive mechanism.

Attention is called to the fact exemption" as that exemption is understood under the Federal Act. Section 3(j), as stated, applies only to domestic corporationsnot to individuals or to foreign corporations. The broad definition of the term "security," appearing in the Texas Act, is sufficient to royality interest, and would seemingly cover any and all types of

Continued on page 38

# Blue Sky Problems in the Public Financing of Oil and Gas Ventures

interests in an oil and gas lease, but does not apply to the granting of the original lease by the lessor nor does it apply to a "shooting permit."

The oil operator who sells intion a "dealer" unless the transaction comes within one of the exemptions contained in Section 3. I submit that it is obviously impracticable for the ordinary oil operator in carrying on his business to register and secure the permission of the Securities Commissioner to the issuance of the 'security" that would be involved in the typical drilling deal. Subsection (k) of Section 3 (exempting, under certain conditions, the sale of an interest in any partnership, pool, or other company, not a corporation) is inadequate to cover the ordinary drilling deals as the same are usually drafted with primary consideration being given to income tax consequences. Subsection (c) of Section 3 (dealing with personal investments) affords a limited field for exempt operations - not, however, sufficiently broad to cover the multitude of every day transactions of individuals who are entitled to equally favorable consideration to that accorded domestic corporations by Subdivision (j) of Section 3, heretofore mentioned.

Section 30 of the Texas Securities Act makes it a felony with a fine of \$1,000 or imprisonment for not more than two years, or both, for any dealer to sell or offer for sale any security which is not registered under the Act, Section 33(a) provides that every sale or contract of sale made in violation of the Act. is voidable at the election of the purchaser, who shall be entitled to recover from the seller, in an action at law upon tender in proper form to the seller of the security sold, together with the amount of all dividends, interest or other income and distributions received by the purchaser from such security, the full amount paid by the purchaser with interest from the date of the purchase. The limitation period is two years from the date that the purchaser had knowledge that the sale was in violation of the Securities Act or when he should in the exercise of ordinary care have discovered that the sale was in violation of the Securities Act or when he should, in exercise of ordinary care, have discovered that the sale was in violation of the Act. Any opthe registration provisions of the has no assurance that he will may find himself obligated to return with interest the purchase procedures. price for the interest sold in the lease. There are no cases reported ignorance of the stringent provi- into industry. sions of the statute. However, problem for the legitimate oper- procedure to distribute securities. ator. The broad provisions of the statute encompass a field far be- co-existence of state and Federal

tions in this state.

In my opinion, it would be most difficult to defend an action brought by the ordinary investor to recover the purchase price in any deal. All the participant would have to allege was a violaterests in a lease is by definition at tion of the Act and it would be an "issuer." Also, he is by definieither prove compliance or a valid exemption. Numerous bona fide deals are daily made in the Texas oil industry which are technically a violation of this Act. However, there are only two or three instances where an attempt has been made to register such securities with the Securities Commissioner. Ordinarily where a deal involves the sale of an interest with a well to be drilled thereon, the papers are drafted so that the minimum amount is attributed to lease cost and the residue is for the purchaser's share of the cost of drilling the well either on a turnkey or straight participating basis. This, of course, is done to give the purchaser the intangible deduction and to capitalize the least possible amount. If the court would look at the transaction in that light, then the purchaser's recovery would in most cases be small. However, in such a case it would be difficult for the buyer to defend against the contention of the purchaser that he paid X dollars for an interest in the lease with a well drilled thereon. Obviously, if the lease was worthless, the purchaser would not hesitate in making this contention from a tax standpoint.

The Securities Act was passed to protect innocent investors, but not to hinder legitimate oil and gas operations nor to provide the knowing investor with a "free ride." It would appear that the protection of the investing public Act should be amended to exclude from its operations the sale of interests in oil and gas leases where there is no general public offering. This can be accomplished by other securities statutes might be an exemption similar to the exemption contained in Section 3 (i) as there would not appear to be any sound reason why a domestic and Exchange Commission were corporation could sell securities to made available for consultative not more than 25 people but exclude individuals from the same type of operation. Certainly the oil and gas business is a vital portion of the economy of this state and the Securities Act could have a decidedly deterrent effect upon the industry if purchasers avail themselves of the rights given un- such securities. der Section 33(a).

involved in an extensive blue sky function to the extent that Federator who does not comply with operation. Perhaps the most that eral legislation fails to evaluate can be achieved by an attempt at the investment quality of secubroad coverage of this field is to be permitted to retain that which delineate the nature and scope of istration under the Securities Act he has received in payment and the basic problems which exist and wholly intrastate transactions under both Federal and state

The cumulative effect of the several securities statutes on the where an action has been brought distributive mechanism cannot be by a purchaser to rescind the underestimated. The investing transaction. This may be because public must be accorded adequate of the nature of the individuals protection. It is equally compelwho are engaged in the oil busi- ling, however, that investment rities. ness or it may be because of funds be permitted to flow freely

The effectiveness of the modern Sellers have not been loath to investment mechanism depends in use the dealer registration re- the last analysis upon speed in The need is compelling, however, quirements of the statute to es- distribution. The interest of the cape paying commissions for sales public necessarily requires that a of leases which in good faith compromise be achieved between should have been paid. This "free the protection of the investor and ride" provision poses a serious the maintenance of an expeditious

The problems presented by the yond what is needed in the regu- securities legislation would aplation of the securities affecting near to warrant investigation to the oil and gas business and could determine the necessity and deseriously hamper the prosecution sirability of the continued operaof bona fide legitimate oil opera- tion of state regulatory procedures.

state authority has been suggested by certain students in this and often anomalous requirements field as the most effective method existing in the several states. 31 of removing the rather substantial impediments which are now imposed on the interstate distribution of securities. This approach presents a serious constitutional question which involves the extent to which the paramount authority of the Federal Government over interstate commerce can encroach upon the rights of the states to legislate for the welfare of their citizens. 30 Aside from other inadequacies inherent in a single Federal procedure, it is submitted that such a completely centralized control over the investment mechanism a substantial and undesired step in the direction of a regi- reappraised. This will permit the mented economy.

Unfortunately, a large number of blue sky problems exist only by reason of the failure of the states to completely integrate their regulatory procedures with the Securities Act. It is difficult justify state statutes whose regulatory approach is predicated upon a full disclosure which nevertheless requires an issuer to file a detailed application accompanied by supporting documents setting forth the identical information contained in the Registration Statement. There does not appear to be any valid reason why even those states which purport to pass upon the investment quality of securities can not make a determination on the basis of the information required by the Federal Act. The states could readily accomplish this simplification of blue sky procedures by permitting the qualification of securities to be made on the basis of the information contained in the Registration Statement.

This approach will permit a more expeditious distribution of securities without sacrificing any or disturbing the existing regulatory spheres occupied by the Federal and state governments. Indeed, state administration of considerably facilitated and improved if the services of the technical staff of the Securities purposes. This recommendation is particularly applicable with respect to gas and oil securities inasmuch as many of the states are without the services of a competent petroleum engineer or geologist to assist in the evaluation of an application to qualify

There is little doubt but that It is, of course, virtually im- the state regulatory procedures possible to review all the problems continue to perform a useful rities. The exemptions from regalso provide a broad area for the states to exclusively exercise their regulatory functions. The states perform further and extremely useful services in connection with the licensing of dealers and the regulation of the issuance and distribution of promotional secu-

A review of state securities legislation in the light of the results achieved completely justifies for the states to more fully integrate their regulatory efforts with the Securities Act. If this can be accomplished, the salutary purpose of this type of legislation will be achieved without placing an undue burden upon the efforts of legitimate business to acquire necessary capital.

A substantial effort has been made by the states to correlate their procedures with the Securities Act and the trend continues definitely in this direction. There

The enactment of additional remains, however, a compelling Federal legislation superseding need for a uniform securities statute to eliminate the diverse The responsibility devolves upon such articulate groups as the American Bar Association and the National Association of Securities Administrators to take the initiative to secure the enactment of an adequate uniform state statute, and such further legislation as may be required to complete the integration of state and Federal procedures.

The enactment of such a comprehensive program will not however result in a final solution of all problems in this field. It remains essential that the effect of the regulatory efforts on the distributive mechanism be constantly prompt enactment of such corrective legislation as may be required and tend to promote the acceptance of new and more efficient distributive techniques by regulatory agencies.

1 The private placement is a term which relates to all non-public offerings, but usually applies to sales effected to insurance companies and other similar institutional investors. Although this type of distribution was originally limited to high grade debt securities, recent amendments to the laws of most states now permit such companies to invest in unsecured obligations as well as preferred and common stocks; see Mendel, Institutional Investment Through Private Placement of Corporate Securities, 53 Columbia Law Review 804-816.

The Statistical Bulletin of the Securities and Exchange Commission (Feb. 1954) estimates that private placements approximating \$3,370,672,000 were effected in 1953.

2 State securities statutes antedated 2 state securities statutes antedated the enactment of the Securities Act of 1933 by more than twenty years. The first such state statute was enacted in Kansas in 1911. Similar legislation was rapidly enacted in other jurisdictions and in 1919 thirty-two states had enacted legislation regulating the distribution of securities. tion of securities.

3 For general discussion see Wright, Correlation of States Blue Sky Laws and The Federal Securities Act, 26 Cornell Law Quarterly 258-295; Smith, State Blue Sky Laws and The Federal Securities Act, 34 Michigan Law Review 1135-1166; Smith, Relation of Federal and State Securities Laws, 4 Law and Contemporary Problems 241-255.

4 Examples of this type of law may be found in Maryland and New Jersey. The New York statute commonly referred to as the "Martin Act" which is purportedly a fraud type of statute also requires the licensing of dealers.

5 Examples of this type of law may be found in the states of Connecticut, Maine and Pennsylvania.

6 This type of statute is rather rare and exists in only a few western states, including Wyoming.

7 Examples of this type of law may be found in the states of Illinois, In-diana, Texas, Ohio, Nebraska, Michigan and Wisconsin.

8 15 U. S. C. 77r(18).

9 See Commerce Clearing House, Blue Sky Reporter, Vol. 1, pages 485 et seq. 10 See Lobell, Revision of the Securities Act, 48 Columbia Law Review 313-

11 Examples of this type of statute may be found in the states of Indiana and Texas.

12 Illinois Revised Statutes, Chapter 121½, Sec. 96-137; the foregoing statute was completely revised by the enactment on July 13, 1953 of the Illinois Securities Law of 1953 which became effective on Jan. 1, 1954.

13 Texas Eastern Transmission Corporation (offering of common stock is March 1952).

14 General Statutes of Connecticut, Revision of 1949, Chapter 288, Secs. 6010 et seq.

15 Code of Alabama 1940, Title 53, as Amended, Sec. 1 and 12 (3). 16 General Statutes of Kansas, 1949, as Amended, Sec. 7-104.

as Amended, Sec. 7-104.

17 Texas Eastern Transmission Corporation. Its common stock was qualified for distribution in Iowa in March 1952, but its Preferred stock, 5.50 First Preferred Series, offered in August 1952 was refused qualification. The corporation, however, was permitted to withdraw its application without prejudice.

18 Commerce Clearing House, Blue Sky Reporter Vol. 1, page 481 et seq. 19 See Bloomenthal, S.E.C. Aspects of Oil and Gas Financing, pages 49-88; Meer, Oil Finance and the Securities Law, October 1951 Texas Law Review 885-903; Doss, Judicial Interpretation of Texas Securities Law, 2 Baylor Law Review, pages 38-53.

20 A bill to amend the Securities Act is pending in Congress (H. R. 7550-S. 2846) which will increase the exemption provided by the Act from \$300,000 to \$500,000.

21 Rule 218.

22 Rule 219.

23 Rules 300 and 310.

24 Rule 312.

25 19th Annual Report of the Securities 25 19th Annual Report of the Securities and Exchange Commission (1953) indicates that for its fiscal year ending June 30, 1953 securities sought to be exempted under Regulation B amounted to a mere \$1,678,898, whereas Regulation A offerings relating to oil and gas securities for a similar period amounted to \$38,797,997.

26 The Laws of Texas of 1935, Chapter 100, as Amended, Sec. 5.

27 Ibid Sec. 6.

28 Ibid Sec. 8.

29 See Regulations dated Aug. 1, 1952 issued by the Securities Commissioner of the State of Texas and approved by the Secretary of State.

30 Hall v. Geiger-Jones Co. (1917) 242 U. S. 539.

31 See Commerce Clearing House Blue Sky Reporter, Vol. 1, page 492. A Uniform Sale of Securities Act was first approved in 1929 by the National Conference of Commissioners on Uniform State Laws and the American Bar Association. Laws and the American Bar Association. The Act, however, was withdrawn from consideration at a conference of Commissioners held in August 1943 and was referred to the Public Law Act Section for further study with authority to draft a new act. No substantial progress has been made to date to secure the enactment of any such uniform statute.

#### With Lloyd D. Fernald Co.

(Special to THE FINANCIAL CHRONICLE)

HOLYOKE, Mass.-Kenneth R. Bunce is now associated with Lloyd D. Fernald & Co., Inc., Holyoke National Bank Building. He was previously with Hayden, Stone & Co.

### B. C. Morton Adds to Staff

(Special to The Financial Chronicle)

DETROIT, Mich .- Samuel Goodman has been added to the staff of B. C. Morton & Co., Penobscot Building.

### With State Bond & Mtg.

(Special to THE FINANCIAL CHEONICLE) NEW ULM, Minn. - Earl O. Ormseth is now with State Bond & Mortgage Co., 28 North Minnesota Street.

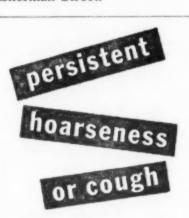
#### Joins Pasadena Corp.

(Special to THE FINANCIAL CHRONICLE) PASADENA, Calif. - Ralph W. Barnard is now connected with the Pasadena Corporation, 234 East Colorado Street.

#### With FIF Management

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.-W. J. Smilie, Sr. has become connected with FIF Management Corporation, 444 Sherman Street.



... is the sixth of the seven commonest danger signals that may mean cancer...but should always mean a visit to your doctor.

The other six danger signals are- Any sore that does not heal 2 A lump or thickening, in the breast or elsewhere 3 Unusual bleeding or discharge Any change in a wart or mole S Persistent indigestion or difficulty in swallowing 6 (above) 7 Any change in normal bowel habits. For other facts about cancer that may some day save your life, phone the American Cancer Society office nearest you, or write to "Cancer"-in care of your local Post Office.

American Cancer Society



# Some Occupational Diseases of Bankers

refused to cover the old man's vegetables have been canned and naked bones. Every age has had these foods do not contain the a different slant on the idea of vital nutrients so necessary for alcohol, but a long as things good nutrition. ferment (and this is a natural process) the spirit of old Noah still walks abroad. Today we have specialists in the bar business as in many other professions. Some mix drinks that will make you fight your grandmother, and one touches, and then all women are beautiful and life is a primrose path to fame.

Seriously speaking, no man-made laws will ever obliterate the curse of Old John Barley Corn. Self control comes only with civilization. We in this country are only half civilized. Excessive use of alcohol is poison - every civilization has had it's own peculiar customs and men in all ages have drunk the draught that kills. It's not that they like the taste, but it shuts man out from himself, and he gets tired of his own company quicker than the society of a stranger, for when he talks to himself, he learns little by listening.

#### Nutrition

This subject, as you know, is my hobby. I think America is the worst fed nation in the world. Eighty percent of the food consumed by the average American is unfit for human consumption. There are two reasons why this is so. In the first place our farmland has been mined year after year and most of the land in America today is poor land, and poor land grows poor food that makes poor people who are sick. The food grown on poor land is poor in vitamins, minerals and enzymes, and the proteins are of poor quality. Unfortunately, the use of chemical synthetic fertilizers does not make land rich, and although our capacity to produce these fertilizers is almost unlimited, our lands are becoming poorer every year. Fortunately a new movement in agriculture, the organic movement, is rapidly gaining headway. Many of our best agriculturists are at long last learning that the fertility of the soil can only be restored by returning organic matter back to the soil. The Texas Research Foundation in a few short years has proved that the way to restore the depleted black to put them back into grass.

The second reason why our nutrition is so poor is because we no longer eat natural food. Natural food simply means food that still and in some instances all their sudden violent discovery; science has in it the natural vitamins, minerals and enzyme that nature put there; but 80% of what we eat has had them all taken out or destroyed in the processing and packaging. Fifty percent of the There they had a complete physi- shoulders of others. intake OI average balance of the body. Too much do to prevent future disability. sugar and starch in a meal causes cemia-not enough sugar in the

#### Emotional Worry, fear, anxiety, hate, envy and jealousy-these emotions are

the great killers. They cause conflict and tension and this tension leads to heart disease, high blood more will put on the finishing pressure, fatigue and even suicide. Our modern inventions in communication and transportation have in some ways simplified the tasks of our executives, but they have also added to their woes. Today the world of business is too big. The successful executive must be a hard driver with great stamina. He must be able to make decisions quickly because his world is bounded not by his city limits, but literally by the ends of the earth. One trouble with a man, who has the type of driving energy needed for such a job, is that he cannot shut it off, he cannot calm down, he must keep driving hard even on his days off. On his vacation such a man surrounds himself with other hard driving human dynamos and gogetters. Together they hunt or fish too strenuously. In the evening they may play poker for high stakes and often they smoke and drink too much. They have an inability to rest. During their working days they even discuss business at mealtime and some even take it home with them at night. The brain of man was not made for such constant energy! The Creator never intended us human beings to work steadily all day and into smaller institutions, but it is up to erything he does, perhaps comthe night. I doubt if He gave the banks to take the initiative, plete abstinence, is his only soluthe night. I doubt if He gave many of us a nervous system built to stand up to such abuse. Materialism, the constant urge to

#### make more money, can ruin your Suggested Program

In recent years many banks have become interested in the health and happiness of not only their executives, but all their employees. Many of them have bought group hospital insurance policies, some deducting a part of the premium from the payroll, some even paying all the premium. This is a fine idea of course, but it is a negative approach. It is like locking the gate after the horse has been stolen. Simply lands of Texas to a fertile state is paying for the treatment of disease has very little preventive

tives to a clinic at White Sulphur ity said that he was able to see so

An outstanding example of a a relative hyperglycemia, that is, bank that has pioneered in this idea is unscientific. Just as phytoo much sugar in the blood. This field of employee health is the is quickly followed by a hypogly- Seamans Bank for Savings in New York. They instituted the program blood. During these periods of in 1941 with a clinic in Brooklyn. hypoglycemia, our resistance to Their goal was long range health disease is lowered, we become fa- maintenance. They recognized the tigued, nervous and irritable and need for a positive approach and the heart muscle suffers. Our that most company programs fell daily bread has been degermin- far short of accomplishing pre-

to diagnosis and treatment.

Prior to 1941 this bank had relied, as many other industries had. on just a "Company Doctor" who used to come in one afternoon for two hours to see employees by appointement on a basis of a retainer fee. The inadequacy of this cheers and inebriates, and cursed This leaves us fat and sick. Our system led the directors to work his grandson, Canaan, because he eggs are infertile, our fruits and out the new program. The initiative in instituting the progarma significant point—came from the bank. The clinic has become the "family doctor" of all the em-ployees. The medical reports are kept confidential. They are not given to the President of the bank, but only to the personnel director. The virtues of the "family doctor' being recognized once more both by industry and the medical profession. Not only do all the employees from the President to the janitor get a complete yearly physical examination, but they also get a psychiatric examination. Their family problems are explored, and all of this is kept on a voluntary basis and the dignity of the individual is never forgotten. This bank is convinced that this program of health maintenance benefits both the bank and the employee, increasing efficiency, reducing absenteeism, improving morale and resulting in better healtn for the personnel. A complete story of this plan can be found in the August, 1950 issue of the "Texas Bankers Record." your own magazine, and may I say here that if you do not keep every issue of the "Texas Bankers Record," for the library of your him. bank, you are making a grievous (2) The next rule that I offer error. The first page by "PHIL" is is to be temperate with all your worth the price. The whole maga-vices. The human body, so wonzine is beautifully edited and you derfully made, and with such a should never throw one issue

This plan of the Seamans Bank for Savings could be and should adopted by every bank in America. Of course, it would have The leadership in undertaking programs of this nature has to be provided by industry. I can promise you that the medical profession stands ready to cooperate. After all, both of us, business and the medical profession, are eager to find a way to stop that monster, socialized medicine. This sort of plan, I feel, would go a long way toward solving the problem.

It seems to me that health should be the usual thing instead of the unusual thing. As we have said before practically everybody in the country is sick with one thing or another. The answer to this problem of illness, when solved, will no doubt be simple.

The cause and cure of polio and cancer may very well turn out to be a very simple matter. I have Other banks and industries are read that it is not in the nature of now insisting that their executives things for any one man to make a employees have a yearly physical goes step by step and every man examination. Last year 36 leading depends on the work of his predecompanies sent their top execu- cessors. Newton with true humil-

for scientific proof have been established. In any opinion this very sicians have been forced to have faith in the existence of unobservables as being in the nature of things, so we are forced to have faith in the reality of unobservable mental and spiritual phenomena.

Twenty years ago certain things were considered to be positively ated, that is the kernel, where all ventive therapy. Just a prepaid scientifically proven facts. Today, the vitamins and enzyme are hospital insurance policy is in- we know better. I believe today found has been removed. Nearly adequate. The big loophope in certain very simple rules of expect too much of the people of the Stock Exchange Committee all the other cereals have also most so-called health insurance health are true although, with amongst whom you dwell. Acbeen degerminated. We get only plans is that the individual waits present methods, we have no pure ceptance of the other fellow as

believe-for somewhere in the beginning has been laid a stone of tension in our own lives. faith in the temple of truth, and without this stone the tower falls

and there is confusion of tongues. I would suggest to you a few simple rules that, if followed, would help each of you to live to be a hundred years of age. This is not an impossible feat. Most other animals in this universe, if left in their natural habitat, barring accidents, live to be 10 times the number of years from birth to puberty. Accordingly man could expect to live to be 110 or 120 years of age. Indeed, there are places, in the socalled uncivilized world, where man does this very thing. Hunza's in India live to be 110 and die with their own teeth in their mouths. There was a time when people did without dentists, but when man began losing his teeth, a way was found to put them back, and unless we get back to natural food grown on fertile soil, the toothless age is here to stay, and man's mouth will become as round as a bung hole in a barrel.

#### A Few Simple Health Rules

(1) The first simple rule is to have a complete physical examination every year and do not be afraid to tell your doctor all about your troubles. If you do not have a family doctor, you should get one, and you should not hesitate to discuss your problems with

(2) The next rule that I offer is to be temperate with all your tremendous ability to regenerate itself, can withstand small doses of poisons without disaster. Tobacco and alcohol in excess are certainly poison and you must be temperate in their use. For that to be modified to suit the needs of individual who goes all out in evtion to this problem.

The indiscriminate use of insecticides and pesticides, and the use of chemical preservatives in our food, can only be dealt with by National Legislation. . . . There is now a committee in Congress to investigate this peril, but so far the preponderance of testimony has been given by the chemists who make and sell these poisons. Our pure food and drug law will remain a farce until the voice of an enlightened and enraged public is heard.

(3) You should eat natural food grown on fertile soil and it should be fresh. The place to get your vitamins is from the kernel of the grain. Therefore, you should eat only whole grain cereals. This means whole wheat flour, home ground meal, brown rice and regular oatmeal. White sugar, white fats and hydrogenated should be omitted as much as possible. At the present time in many places this is difficult to do. Therefore, I advise that you in-Springs, W. Va., for one week, far because he stood on the clude raw wheat germ in your daily diet.

(4) Another simple rule that I American comes from three calm atmosphere. They went the sense that modern science would like to suggest is an attithings: white sugar, white flour through the Clinic in the mornings demands. Modern science says if tude of imperturbability. Imperand the hydrogenated fats. Not and played golf and relaxed in the you cannot prove beyond any turbability means coolness and one of these three is fit to eat, afternoon. All modern scientific question that this or that is true presence of mind under all cir-White sugar will make you fat tests were made and they were then we cannot believe what you cumstances, calmness amid storm, and its use upsets the chemical advised how to live and what to say, and very definite standards clearness of judgment in moments of grave peril, immobility, and impassiveness. Some people are born with this quality, but to you who are not so fortunate, may I suggest that you can cultivate this quality and in a measure attain it. And there is a mental equivalent to this bodily endowment. A calm equanimity is the desirable attitude. A clear knowledge of our relation to our fellow man is indispensable. One of the first essentials in securing a the endosperm or starchy part, for the outward symptoms of dis- scientific proof of them; but do an individual with rights and Scouts of America.

ease to occur before submitting not be too sure that always we opinions of his own and also with must have proof before we can his im-perfections, is one of the ways that we stop conflict and

> (5) You must learn to maintain happy healthy attitude. You cannot afford to get mad. Hate, envy and jealousy cause conflict that leads to tension, and too much tension interferes with the pursuit of happiness, but it is the price we pay for being only half civilized. Dr. Norman Peale has said that Americans don't know how to overcome tension. This is probably the most nervous generation of Americans who ever lived. The patron saint of the Irish is St. Patrick; of the English, St. George; the patron saint of Americans is St. Vitus. The American people are so tense and keyed up, that it is impos-sible to put them to sleep even with a sermon, but the human body is a steed that goes freest and longest under a light rider and the lightest of all riders is a cheerful heart. Your sad or morose or embittered or preoccupied heart settles heavily in the saddle, and the poor beast, the body, breaks down the first mile. Indeed the heaviest thing in the world is a heavy heart. The brain wears out much quicker from worry than from work. Once there was an old negro woman who had nine children. Her husband died, her house burned and one of the children broke his leg. She was asked how she managed to hold up so well with all this trouble. Her answer was that "I'se had trouble befo' and I has learned that you jus' has to wear your clothes loose." If we could ust learn to wear our troubles loose! There are some conflicts that we must accept. We must learn to practice the three A's: Acceptance, Approval and Adoration, or love; instead of condemn, cuss and criticize. We cannot violate God's Natural Law of Love.

Habakkuk, one of the minor prophets, was known as the doubting prophet. He cried out to the Lord about all the violence and strife before him. He could not understand why the righteous were surrounded and overcome by the wicked. He complained that the law has been slacked, and judgment doth never go forth; but in the end he fi-nally saw the light, and with a happy joyous heart he cried: "! will rejoice in the Lord. I will joy in the God of my salvation." Gentlemen, the rules for a happy, joyous and healthy attitude can be found in the Sermon on the

### William Everit Burnet

William Everit Burnet, senior partner of W. E. Burnet & Co. died at his home, 32 Brookside Road, West Orange, N. J., Wed-

nesday evening after a brief illness. He was 79.

Mr. Burnet was born Jan. 15, 1875 in East Orange. N. J., and lived in the Oranges most of his life. He entered the securities business in 1892 and organized the firm of Alex-



ander Burnet Company in 1912. In 1920 the firm was merged into Strong, Sturgis & Co. and became W. E. Burnet & Co. in 1927. Mr. Burnet had remained active in the business until a very short time before his death.

Mr. Burnet was a director in the Puerto Rico Sugar Co. and the Central Romano Corporation and good natural equanimity is not to in 1945 and 1946 he was Chairman Greater New York Councils, Boy

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# Mutual Funds

By ROBERT R. RICH ≡

THE RISE in security prices and record sales have been responsible for the sharp rise in assets of the United Funds investment group this year, Cameron K. Reed, President of United Funds, Inc. told stockholders at the annual meeting in Kansas City.

"The policy of staying fully invested has given the four funds in the investment group substantial increases in net assets in view of the steady rise in the stock

market," Reed said. He told shareholders that cash sales of the various funds are averaging "more than \$2 million a month" and the face value of periodic plan sales also are running "well in excess of \$2 million a month.

\$140,400,000, representing a gain gain over the year, compared with of more than \$40 million since the a last annual meeting and up from Composite Average. \$112,611,549 reported at the start

of the year. In discussing the investments of United Income Fund, United Accumulative Fund, United Contite the investments owned on March nental Fund and United Science 31, 1954: Fund, Reed said that there has been a concentration recently in the purchase of electronic, paper, rubber, oil, chemical and utility stocks.

He said the net asset value of the United Income Fund has advanced 25% since the low point of the stock market last fall; United Accumulative is up 26%; United Continental up 31%, and United Science up 30%.

this time that will arrest the further substantial growth of the four investment funds in our group," Reed said.

All directors were re-elected.

INVESTMENT changes of Nation-Wide Securities Company, Inc. during the first half of its fiscal Sept. 30, 1953 to March 31, included the purchase of shares of Boeing Airplane, Long Star Gas, 2,000 May Stores, 3,400 Mead Johnson, year, Sept. 30, 1953 to March 31, Dept. Stores, 3,400 Mead Johnson, 1,700 Ohio Edison, 5,000 Oklahoma Naural Gas, 4,000 Reynolds Tobacco, 2,000 Southern California Edison and 3,000 United Shoe Machinery.

Sales of common stocks included 1,000 American Gas & Electric, 1,000 Bethlehem Steel, 1,500 International Paper and 3,-000 West Penn Electric.

Stocks eliminated were Allis-Chalmers, Armstrong Cork, Chrysler, Congoleum-Nairn, Duquesne THE EATON & HOWARD plan of themselves as financial ad-Light, Falstaff Brewing, Goodrich, Interlake Iron, Marshall Field, McGraw-Hill, Pacific Lighting, Pfeiffer Brewing and Ruberoid.

port to shareholders for the first holder's account, will be invested value, both for the three months and for the 12 months ended that date was \$9.95-\$10.271/2 as vested quarterly. The bank will adjusted for the 321/2c payment send dealers a duplicate copy of from capital gains on Feb. 15, 1954 and a gain of about 9% over the \$9.45 per share value at the 1953 as well as confirmations of pur- ject without disadvantage." year-end. Adding back total dis- chases made.

#### Commonwealth Distributing Mutual Fund Manual

North American Securities Company, sponsors of Commonwealth Fund and Commonwealth Stock Fund, has begun distribution to its dealers of a loose-leaf manual designed to give mutual fund retailers essential reference information on mutual fund operating information, regulatory and tax information, trust information. sales aids and sample forms for executing orders.

tributions of 501/2c from capital gains in the 12 months ended Total assets May 15 amounted to March 31, the Fund has a 7.2% 4.1% gain for the Dow-Jones

> George A. Sloan, President of Blue Ridge Mutual Fund since operations began on June 28, 1951, made the following comment on 31, 1954:

. holdings of stocks in dynamic industries such as the fields OK, Says H.R.A. air conditioning, electronics, and atomic energy were increased during the first quarter of the year. The majority of the Fund's investments continue to be in high quality common stocks which are characterized by relatively stable earnings and dividends."

COMMON STOCK additions since "I see nothing in the picture at March 23, 1953 are shown below for the Atomic Development Mutual Fund. Total asset value was \$1,103,184 as of April 23, 1954:

500 Algom Uranium Mines, Ltd.

400 Amer. Potash & Chemical Co., class B 2000 Centre Lake Uranium Mines Ltd. 200 Climax Moiybdenum Co. 900 Gunnar Gold Mines, Ltd.

100 Homestake Mining Co

1000 Atomic Instrument Co

300 Beckman Instruments, Inc. 300 Consolidated Engineering Corp. 100 General Dynamics Corp.

600 Metal Hydrides, Inc. 400 Victoreen Instrument Co. 500 Vitro Corp. of America 100 Allis-Chalmers Mfg. Co.

700 Blaw-Knox Co. 100 Grinnell Corp. 300 Harshaw Chemical Co.

300 Westinghouse Electric Corp

300 Mallinckrodt Chemical Works, class A 100 National Lead Co. 200 Phillips Petroleum Co. 200 Union Carbide & Carbon Corp.

for accumulative investing has been changed so that now each deposit of \$250 or more, together BLUE RIDGE Mutual Fund's re- with any cash balance in a share-1954 quarter shows a gain in on the day of receipt. Formerly, except for initial deposits of \$250 March 31. The per-share value on or more, such amounts were inall acknowledgments of deposits,

# **Peak Business For** Next 12 Months

The nation's economy over the next 12 months should enjoy a high business activity and maintenance of employment and personal income at levels only slightly lower than the peaks of last year, it was predicted yesterday in the annual report of National Securities Series for the fiscal year ended April 30, 1954.

"For 450 years, the American economy has been growing size, in volume and in strength," the report stated. "There is no reason to believe that, after allowing for intermediate changes in trends, in the long view, the economic curve will not continue upward," it added.

The corporation based its forecast on a continued high level of business activity, employment and personal income over the next 12 months on "powerful long-term sustaining forces in the economy."

These forces include the high level of government defense expenditures which are expected to continue for an indefinite period;

National Forecasts additional goods and services needed to provide for our constantly increasing population; the continued near record level of expenditures for plant and equipment to make this production possible and reduce costs; technological advances, which accelerate obsolescence and open new vistas for numerous new products; the large construction backlogs for needed highways, schools, hospitals and other public facilities, and the substantial financial po-

> Total net assets of the funds increased to \$162,021,914 in the year ended April 30, 1954 from \$122,-021,914 at the close of the previous fiscal year. Distributions from net investment income amounted to \$9,590,113 on April 30 last, compared with \$7,207,885 a year ago; the number of shareowners advanced to 84.281 from 65,822, and the number of shares outstanding of the funds climbed to 31,452,790 from 23,459.060.

sition of consumers.

"During the recent year, each of the seven National Securities Series of funds paid four quarterly distributions of net investment income," Mr. Simonson reported. 'And on April 26, 1954 just prior

Continued on page 53

# D. G.'s "V. P."

After months of thorough testing in all kinds of "sales weather," Herbert R. Anderson, President of Distributors Group, underwriter for Group Securities' mutual funds, reports that mutual fund dealers and their sales representatives have proven the effectiveness of the Distributors Group 'Visual Presentation." a largesized, story-telling display book used by salesmen in their discussions with prospects. A similar sales device has been used cessfully by salesmen in the life insurance industry for a number

Reports from the field are proving the effectiveness of our Visual Presentation in actual retail calls," Herbert Anderson, President of Distributors Group, stated. "The key to its effective use appears to be largely in the degree to which a salesman will go after the entire account on the basis of an over-all long-term financial program — rather than just make a sale of fund shares.'

Mr. Anderson added, "In a number of instances more experienced, old-time securities men find that the Visual is particularly helpful in contacting new accounts where, for the first time, they may be aiming at the sale visers

"Salesmen that are new to the business also report its helpfulness-and a somewhat surprising result has been the value that has been reported by men, experienced in other types of securities, but new to the mutual fund field.

"All those using the Visual have reported its helpfulness in 'keeping on the track,' avoiding distractions, and in having something with which an interrupted interview can be returned to the sub-

The Distributors Group Visual

Presentation was one of the sev-eral "sales systems" introduced into the securities field almost simultaneously some months ago. These "systems" actually represent a new approach on the part of the securities business to its new, and perhaps most important, market-the middle-class individual who has never before in his life owned a share or bond in a business corporation.

The use of the Visual Presentation involves a two-step program. The mutual fund representative first discusses with his prospect the over-all advantages of longterm financial planning and the importance of an objective in such planning. The second step, in this business, is to show how shares of a properly-selected mutual fund can serve the investor best as the "equity" component in his over-all financial program.

The Visual Presentation display book, sometimes called the "VP or "VEEP," is said to solve the

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- FOUNDATION FUND
- · GROWTH FUND
- . INSURANCE FUND

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Prospectuses from your Investment Dealer or the above.

will standardize the sales pres- financial presentation - as most comprehensive approach.

mutual fund dealer's problem be- entation by his salesmen. And mutual fund sales literature ac- to increasing the power of govern- stated they believed they had the cause it gives him a device which instead of being incidental to the tually is—the "VP" represents a ment bureaus. His bill would give power to authorize it, if after fur-

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<b>A</b> .	CASH  1. Total available 2. Less Emergency Reserve Balance	\$	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	
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<b>A</b> .	CASH  1. Total available 2. Less Emergency Reserve Balance	5		
<b>A</b> .	CASH  1. Total available 2. Less Emergency Reserve Balance Face Amount of Insurance	\$ \$		
A. B.	CASH  1. Total available 2. Less Emergency Reserve Balance Face Amount of Insurance (to protect your family in the event of premature death)  Approximate Value of Home	\$ \$ \$		
A. B.	CASH  1. Total available 2. Less Emergency Reserve Balance Face Amount of Insurance (to protect your family in the event of premature death)  Approximate Value of Home Amount of Mortgage currently outstanding	\$ \$ \$		
A. B.	CASH  1. Total available 2. Less Emergency Reserve Balance  Face Amount of Insurance (to protect your family in the event of premature death)  Approximate Value of Home Amount of Mortgage currently outstanding  Fixed-Income Assets	\$		
A. B.	CASH  1. Total available 2. Less Emergency Reserve Balance  Face Amount of Insurance (to protect your family in the event of premature death)  Approximate Value of Home Amount of Mortgage currently outstanding  FIXED-INCOME ASSETS (1) Government Bonds	\$ \$ \$		
A. B.	CASH  1. Total available 2. Less Emergency Reserve Balance Face Amount of Insurance (to protect your family in the event of premature death)  Approximate Value of Home Amount of Mortgage currently outstanding  FIXED-INCOME ASSETS (1) Government Bonds (2) Cash Value of Life Ins.	\$ \$ \$ \$		
A. B.	CASH  1. Total available 2. Less Emergency Reserve Balance  Face Amount of Insurance (to protect your family in the event of premature death)  Approximate Value of Home Amount of Mortgage currently outstanding  FIXED-INCOME ASSETS (1) Government Bonds	\$ \$ \$ \$		
A. B. C.	CASH  1. Total available 2. Less Emergency Reserve Balance  Face Amount of Insurance (to protect your family in the event of premature death)  Approximate Value of Home Amount of Mortgage currently outstanding  FIXED-INCOME ASSETS  (1) Government Bonds (2) Cash Value of Life Ins. (3) Mortgages Owned (4) Other	\$ \$ \$ \$		
A. B. C.	CASH  1. Total available 2. Less Emergency Reserve Balance  Face Amount of Insurance (to protect your family in the event of premature death)  Approximate Value of Home Amount of Mortgage currently outstanding  FIXED-INCOME ASSETS (1) Government Bonds (2) Cash Value of Life Ins. (3) Mortgages Owned (4) Other  VARIABLE INCOME ASSETS (Market Value)	\$ \$		
A. B. C. D.	CASH  1. Total available 2. Less Emergency Reserve Balance  Face Amount of Insurance (to protect your family in the event of premature death)  Approximate Value of Home Amount of Mortgage currently outstanding  FIXED-INCOME ASSETS (1) Government Bonds (2) Cash Value of Life Ins. (3) Mortgages Owned (4) Other  VARIABLE INCOME ASSETS (Market Value) (1) Individual Stocks	\$ \$ \$ \$ \$ \$		
A. B. C. D.	CASH  1. Total available 2. Less Emergency Reserve Balance  Face Amount of Insurance (to protect your family in the event of premature death)  Approximate Value of Home Amount of Mortgage currently outstanding  FIXED-INCOME ASSETS (1) Government Bonds (2) Cash Value of Life Ins. (3) Mortgages Owned (4) Other  VARIABLE INCOME ASSETS (Market Value) (1) Individual Stocks (2) Mutual Funds	\$		
A.  B.  C.  D.	CASH  1. Total available 2. Less Emergency Reserve Balance  Face Amount of Insurance (to protect your family in the event of premature death)  Approximate Value of Home Amount of Mortgage currently outstanding  FIXED-INCOME ASSETS (1) Government Bonds (2) Cash Value of Life Ins. (3) Mortgages Owned (4) Other  VARIABLE INCOME ASSETS (Market Value) (1) Individual Stocks	\$		

FINANCIAL KEY: The basis for Distributors Group's "Visual Presentation" is the financial planning work-sheet shown above. On this large-sized pad, the mutual fund retailer works out for the individual investor a "custom-planned" investment program based upon the investor's current finan-

TOOLS TO BUILD WITH MOUNT OF CAPITAL NOW AVAILABLE FOR INVESTMENT: Cash Bonds MOUNT OF INCOME NOW AVAILABLE OR MONTHLY INVESTMENT

#### PROPOSED INVESTMENT PROGRAM

#### in the Funds of Group Securities, Inc.

	PURPOSE	AMOUNT
FUNDS		
The Fully Administered Fun	d	\$
The Common Stock Fund	****	
The Low Priced Stock Fund		
The General Bond Fund	***************************************	****
The Institutional Bond Fund	61.65 4.75 4.76 4.7.4.4.4.4.4.4.4.4.4.4.4.4.4.4.4.4.4.4	
INDUSTRY CLASSES		
		***************************************
And the second s		
	TOTAL	8
ERIODIC INVESTMENT PLAN:	OR INVESTMENT OF CU	RRENT INCOM
FUMB PURPO	INITIAL AMOUNT	MONTHLY

cial picture, the purposes of his proposed investments, and the tools he has to complete this pro-

gram. Mutual fund dealers, and their salesmen, are

given these work-pads and the "Visual Presenta-

tion" display book by Distributors Group.

Continued from page 10

(1) Retirement

(2) Education (3) Other

Income for Current Expenses

# Whither Television?

UHF, UHF will be dead and gone be a cure-all to all the industry's by the time color really blossoms. economic ills. Let me remind you Personally, I believe color sets that the three motion pictures will come down in price much faster than this, because it will in the April Academy awards be unnecessary to have what, in were all in black-and-white. the colorful language of one of gour local citizens, was called a "Rube Goldberg" set-up.

I know some of the things that are in store. Assuming a \$5 increase in glass bulb cost, a 21" rectangular Lawrence tube can be for this proposal to get a good uantity for only \$15 more net set cost than a black-and-white tube. It should work down to no more than eight circuit tubes than a black-andwhite. It could go into conventional black-and-white cabinets. This would mean less than \$75 increase in retail price over blackand-white.

which I have been able to calculate less than \$125 to \$150 increase in retail sales price under quantity production. This difference arises because in the singlegun Lawrence tube the color selection takes place very close to the plane of the screen and is not subject to the interference adjustments which must be made at the latter statement is the real probsystem, that is, far away from the would not solve it. mass production factory

will get the idea that color will

which figured most prominently

(5) The elimination of the intermixture of VHF and UHF stations in the same community.

There has been every prospect and good prospect of it helping in opening up the sale of UHF sets. It would of course be heartily opposed by those who have the only VHF channel in an otherwise UHF community.

But Senator Bricker has thrown a large monkey wrench into these gears by introducing a bill dis-I know of no other tube for cussed under heading (9) later, accompanied by these words, "we have reason to believe that many of these failures are due to the fact that the stations were denied programs by the various operating (9) networks.

If the testimony taken at the hearings should indicate that this expensive part of the marketing jem of UHF then this proposal

It is to be hoped that no one (6) Reallocation of the FM band

and 174 megacycles to provide more VHF channels.

This is not the solution to the set problem as it might at first appear. Only a minor proportion of the existing sets have continuous tuning over the entire band. The other sets tune by clicking in the channels. They would need modification to receive these new channels as well.

- Authorize booster and satellite stations to fill holes in UHF coverage patterns; and
- (8) Three Technical changes in the UHF situation:
- (a) Requirements of higher about play in the Washington hearings minimum power for UHF stations. VHF band or in both VHF and UHF band.
  - (c) Changes in existing UHF authorizations increasing cover-

None of these seems to be a solution of either the UHF set problem or the one proposed by Senator Bricker. They would make a UHF grant more valuable if it was otherwise economically and technically feasible.

Promulgation of additional chain broadcasting rules in order to assist stations in obtaining network programs.

Senator Bricker, Ohio Republican, gave a complete surprise to the industry when he filed, on under FCC supervision. Senator

the FCC the same powers over networks that they have over stations to insure that they operate in the public interest. The Sena- first promotion for pay television tor is Chairman of the powerful was started by the Zenith Cor-Senate Committee on Interstate poration and Commander Mcand Foreign Commerce. Although not technically on the agenda of the Potter hearing now going on, tional Telemeter Corporation it is going to be in front of them anyway. The fact that the Senator stated to the Senate in introducing his bill that "if the FCC is unable or is hampered in carrying out (its) objective because of lack of authority then Congress must act accordingly," indicates he really means it.

This could be an orderly though probably only a partial solution to the UHF station problem.

Permanent Cures of the Problem The next three proposals constitute what I would classify as permanent cures to the problem stated by Senator Bricker.

(10) Reassignment of all VHF grants to channels in the UHF band.

This is a drastic proposal which has many proponents. I doubt if it is at all feasible to require the public to convert their sets except for color and over a long period of time. I would not pay too much attention to it as an immediate solution.

(11) Stations to have rights to all programs by bidding for them when they are offered in any market.

This is a sure but drastic remedy and probably not a likely one at this stage of television's development. However it was the both sight and sound. one which the motion picture industry finally reached after some 15 years of litigation and government interference. I don't know that anyone is especially happy with it although there are certainly indications it is changing the economic outlook for many units of the motion picture indus-

try.
The same solution will happen in the television industry if there is a long and widespread campaign of complaints to Washington about inability to obtain programs by a number of holders of station licenses, as there was by their counterparts in the motion picture industry.

(12) The adoption of rules and standards for pay television operation of stations.

We finally come to what seems to be a logical way both of de- tem. veloping televison to greater possibilities and of furnishing income in which the UHF stations would be bound to share. Some of the vision be limited to the UHF sta-

A check about two weeks ago before the FCC asking for author-(b) Suspension of grants in a few days ago carried the story that a California station had also filed a petition.

About a year ago, a member of the House Interstate Commerce Committee filed a bill in the House asking that where broadcasts were received on home sets for a fixed fee, the operators be designated as common carriers. They would thereby be subject to rate regulation. The FCC was asked to comment on this situation and by a memorandum dated May the Commission did so. They said in effect that they had considered the matter at some length, had considered the original bill authorizing broadcasting and in their unanimous opinion pay television was a broadcast service May 13, a bill to put networks rather than a common carrier "If Jove gave us each which we service. They expressed no opin-Bricker is a conservative of the ion on the merits of radio or teleand other bands between 88 Taft type and not usually given vision which must be paid for, but

ther study, they considered such action desirable.

It is now many years since the Donald here in Chicago. It is at least three years since Internastarted on their campaign of information on the subject. It has been a period of little response from Washington but as stated above some fruit finally appeared on the tree on May 6 and the situation holds possibilities, under the pressure of the UHF problem, of ripening rather rapidly.

The present need is clear. The problem of falling revenue, from the standpoint of the sports entrepreneur, is a keen one.

What System Will Be Adopted It is impossible to leave this situation without some comment as to which of the proposed systems is likely to be adopted. I am sure none of the proponents understand everything the others are talking about, they seem to differ mainly in the proposed methods of collection with, at least at first, the proposals arising as follows:

Phonevision—pay after seeing. Telemeter-pay as you see. Skiatron—pay before you see.

As I understand it now, Phonevision claims it has systems embracing the other two ideas, while Skiatron has moved to a payafter-seeing basis as well.

A complete system of successful pay television must involve:

(a) Secure coded transmission (b) Practical method merchan-

dising entertainment. (c) Be economical in cost of ap-

paratus. As regards item (a) Secure coded transmission - I doubt if anyone has a monopoly or can obtain one. Telemeter has some unique developments it isn't talk-

ing too much about.
Item (b) is Telemeter's strong point. It believes it has a strong patent position on the following

characteristics: (1) Variable instantaneous pric-

(2) Cash operation with coding. (3) Recording accounting and programs identity information.

(4) Barker sound for selling programs.

(5) Credit storage.

(6) Simple cash collection sys-

We have just finished an interesting test in Palm Springs which has been rudely criticized by certain people on the grounds that proponents of this idea have even too many wealthy people live proposed that use of pay tele- there. They forget the words of the old song, "Where there's wild men there must be wild women." And where there are rich people there indicated that the only petition must be poor people to keep their lives smooth. All the grades of ization of this service was filed in wealth and culture exist in Palm 1952 by the Zenith Radio Corpo- Springs and since it is on an Inration. During 1953, a group of dian Reservation, some that are UHF operators and grantees asked very scarce elsewhere. The reacthat the FCC authorize speedy tion of all are being carefully followed. Telemeter feels certain no practical commercial pay television can exist without infringing some of the area its ideas cover.

With regard to item (c), economical apparatus; need more be said than that 28,000,000 sets times \$10 is \$280,000.000, times \$50 is \$1,400,000,000. Its results will be in terms of the lower goal. The possibilities of reward available are worth the effort. Telemeter is working toward the lower goal. The way is difficult but we hope to get there.

Meanwhile there is no millenium in sight in television. To any one who thinks there is I refer him to the "Fables of La Fontaine." Wherein the following couplet is

wish we had

even then our complaints would drive him mad.'

### NYSE Study Shows Larger Institutional Buying

Banks, insurance companies, and investment trusts and other institutional investors account for 25% of volume of transactions on March 17 and March 24.

The third of a series of surveys of stock transactions on the New York Stock Exchange was conducted on March 17 and March 24 of this year. The survey was made by the partners, voting stockholders and registered representatives of the member firms and corporations of the Exchange in cooperation with the Department of Research and Statistics and the Stock Clearing Corporation. The latter corporation tabulated the more than 50,000 detailed reports filed in connection with the two-day survey.

Methods and Definitions: The transaction-analysis sheets and general procedures used in the survey were essentially the same as in the preceding surveys. Again, as in 1953, the geographic origin of a customer's order was determined by the location of the customer's residence and a transaction was determined to be either cash or margin on the basis of each separate transaction regardless of the type of account through which it was processed.

The following basic definitions are the same as those used in preceding studies:

(1) Public Individuals: Persons other than members or member firm partners of the New York Stock Exchange or non-member broker/dealers and institutional investors.

(2) Public Institutions: Non-member broker/dealers, insurance companies, banks (including orders placed by individuals through banks), investment trusts, educational and charitable institutions, corporations, fiduciaries, etc.

(3) Trading Transactions: Transactions which have been or probably will be closed out within a 30-day period plus all reported short sales and purchases to close out short sales.

(4) Investment Transactions: All transactions other than "trading transactions." Investment transactions are subdivided

(a) Short-term investment—a transaction which has been or probably will be closed out between 30 days and six months. (b) Long-term investment-a transaction which has been

or probably will be closed out in not less than six months. All transactions where income return was the principal reason for purchase are also included

#### PART I Summary of Findings

Coverage: Again, due to the outstanding cooperation of member firms and their registered representatives, over 92% of the shares purchased and sold on the New York Stock Exchange on 17 and March 24, 1954, were accounted for and are included in one or more of the tabulations in the report.

#### TABLE 1 Total Shares Purchased and Sold on the N. Y. S. E.

(Round and Odd Lots Combined)

ind dild Odd Liot	s combined)	
Mar. 17 & 21, 1954	Mar. 18 & 25, 1953	Sept. 10 & 17, 193
8,195,585	9,906,773	6,201,703
or_ 7,545,182	9,237,075	5,767,083
5,896,025	7.324.580	4,626,903
1,649,157	1.912,495	1,140,180
650,403	669,698	434,620
	Percentage Distribu	tion
100.0	100.0	100.0
or_ 92.1 ns-	93.2	93.0
72.0	73.9	74.6
20.1	19.3	18.4
7.9	6.8	7.0
	Mar. 17 & 21, 1954	or 7,545,182 9,237,075  or 5,896,025 7,324,580 1,649,157 1,912,495 650,403 669,698  Percentage Distribution 100.0 or 92.1 93.2 ns- 72.0 73.9 20.1 19.3 7.9 6.8

From Forms 120 and RD 19. From Forms 121 and RD 19.

NOTE: Transactions in odd lots for the odd-lot account of Odd-Lot Dealers

The volume figures in Table 1 include both purchases and sales—thus a reported transaction of 100 shares is counted as 200 shares-100 purchased and 100 sold. Therefore, even though the reported volume for the two days studied amounted to 3.650,-330 shares, the total purchases and sales (including odd lots and non-reported round lots) was 8,195,585 shares.

Principal Sources of Volume: This most recent study confirms the investment pattern of the present-day market. Public individuals purchased and sold a total of 2,550,820 shares in the long-term investment category and 798,956 shares in the shortterm investment class. Institutional transactions which are primarily of an investment nature accounted for another 1,412,876 shares (see Table 2).

#### TABLE 2

Number of Shares Accounted for in Public Transaction Study By Principal Source of Volume

(Purchases, Sales, Round and Odd Lots Combined)

Princinal Source	Number of Shares					
of Volume	Mar. 17 & 24, 1954	Mar. 18 & 25, 1953	Sept. 10 & 17, 1952			
Total Accounted For	7,545,182	9.237.075	5,767,083			
Public Individuals		5,574,179	3.232,580			
Trad, Transactions.	433,607	585.974	221,733			
Short-term invest.		1,169,095	565,209			
Long-term invest	2,550,820	3,298,165	2.181.483			
Not classifiable	381,911	520,945	264,155			
Public Institutions		1,324,498	1.135.018			
Non-Member Broker		,,	-,,			
Dealers	317,855	425,903	259,305			
Members	1,649,157	1,912,495	1.140.180			

The statistics in Tables 2 and 2A point out the relative importance of trading transactions to the activity of the market. The lowest volume of purchases and sales for any of the three periods occurred in Eeptember of 1952, when 5,767,083 shares were involved and trading transactions by public individuals accounted for only 3.8% of the total. The next lowest volume-7,545,182 shares-occurred in the March 1954 study and 5.7% was public

individuals' trading, whereas the most active period-March 1953-saw trading transactions for public individuals account for 6.3% of the 9,237,075 shares included in the study. Conversely institutional transactions decreased proportionately as volume activity increased—from 19.7% to 18.7% to 14.4%, respectively.

#### TABLE 2A

Percentage Distribution of Shares Accounted for in Public Transaction Study by Principal Source of Volume (Purchases, Sales, Round and Odd Lots Combined)

of Volume	Mar. 17 & 21, 1954	Mar. 18 & 25, 1953	Sept. 10 & 17, 1952
Total Accounted For	100.0	100.0	100.0
Public Individuals	55.2	60.3	56.0
Trad. Transactions.	5.7	6.3	3.8
Short-term Invest.	10.6	12.7	9.8
Long-term invest.	33.8	35.7	37.8
Not classifiable	5.1	5.6	4.6
Public Institutions	18.7	14.4	19.7
Non-member Broker	-		
Dealers	4.2	4.6	4.5
Members	21.9	20.7	19.8

Continued from page 2

Principal Source

# The Security I Like Best

in its favor. In any event a favor- Sands, New Mexico, and has than an unfavorable one would hurt.

The stock, listed on the New York Stock Exchange, is avail-sonnel of the company expanded able in a relatively depressed rapidly, and it became evident price area (all-time price range 181/4-11) and represents an investment which in many respects qualifies for institutional funds. Any risk would appear to be small and the potential rewards large for the investor who is willing to forego a high yield for future growth.

### STEPHEN J. SANFORD

Manager, Investors' Research Dept. Amott, Baker & Co., Inc., New York City

#### **Reaction Motors Company**

Does rocket propulsion have a

Are the Jules Vernes and Buck Rogers visionaries, whose exploits

are best left in the realm of pulp-fiction, or has science advanced to such a degree that we are entering upon a new era of transport for both men and missiles?

The answer is important not only to mankind in

general, since it involves delivery on target of both the atom and hydrogen bombs, but to speculators in particular since it offers an opportunity to participate in a fantastic new means of propulsion.

To speculators, ever alert to appear alluring if hazardous because the future is not clearly defined; to the more courageous the rewards could be even more spectacular.

Reaction Motors, all factors considered, appears to be the best means at this time in which to risk venture capital on the prospects that rocket propulsion will pay off.

The company was formed as a New Jersey corporation on Dec. 18, 1941, by a group of four members of the American Rocket liquid-propellant rocket industry in this country.

At the end of World War II. when it became possible to examine the German V-2 missile launching sites and bombs, interest of the Armed Services in the work of Reaction Motors in-

able decision should help more flown to a height of some 106 miles from the deck of a Naval ship, the "Norton Sound."

Between 1945 and 1947 perrapidly, and it became evident that if the company were to continue, considerable additional working funds would be required.

Laurance S. Rockefeller, scion of a famous family, who has assembled an expert corps of aviation experts as his advisers, provided the needed funds, purchasing a substantial block of the company's stock. The fact is important since Mr. Rockefeller's other investments in this field include commitments in Eastern Airlines, McDonnell Aircraft, Piasecki Helicopter, Marquardt Aircraft and Aircraft Radio, From an investment viewpoint, it should be noted immediately that there are no lemons in the entire group.

Once it had the needed working capital, the progress of Reaction Motors was rapid. Its 6000-pound thrust liquid propellant rocket engine powered first the Navy's D-558 Douglas Skyrocket and then the Air Force Bell X-1A to world speed records far in excess of the speed of sound. Experiments with the Republic XF-91 are still continuing.

Impressive as these records are, they are not the reason for my bullishness on Reaction Motors stock, for I must point out that no production contracts for any one of these three planes has been awarded at the present writing. Rather, I must turn to three comparatively new developments to generate enthusiasm, even though they may be classified as intangibles at this time.

In the fall of 1952, Reaction contracted to purchase a 24% new opportunities, the prospects stock interest in Flight Refueling. filiated banking firm acquired with the English parent, Flight Refueling, Ltd., retaining the remaining 40%. At the time, the purchase did not appear too important, since Flight Refueling occupied small quarters at the Danbury (Conn.) airport, and its contracts were small. Since that time, however, the company's probe-and-drouge method of refueling in flight has been adopted as the official method of the U. S. Navy, and the subsidiary has received contracts totaling more Society who were pioneers in the than \$12 million. This has necesliquid-propellant rocket industry sitated removal of activities to is now in charge of trading at the much larger quarters at the Friendship International Airport near Baltimore. It would not be surprising if the Air Force were the next to adopt this method as official.

Secondly, only a few months creased, and the company was ago, Mathieson Chemical Corpogiven a contract for the devel- ration, which has been making opment and construction of a hydrazine, a liquid fuel for rock-power plant for the Navy's "Vik- ets, acquired a 50% stock interest. ing" missile. This single-cylinder in Reaction, acquiring its stock by rocket has already attained a direct purchase from the company height of about 137 miles at White plus shares acquired from stock- 19th at the age of 54.

int is of period by 1950, equipally I recharge with and

holders through tender. It is believed that the benefits will be mutual. Mathieson has already awarded certain contracts to Reaction for development and fabrication work of a mechanical engineering nature.

The third development which I construe as favorable is the fact that the U.S. Navy is currently constructing a new plant for the company at a cost of approximately \$3.2 million. The company is itself expending an additional \$500,000 for the same purpose. While such matters are a closely guarded secret, it appears unlikely that any branch of the Armed Forces, currently under pressure to reduce expenditures, would make such a commitment unless it intended to award a production contract rather soon. Only the future will tell whether this assumption is correct.

During the past five years, when the company was engaged solely in developmental and experimental work, a profit nevertheless was shown each year, with per share earnings ranging from a low of \$1.06 to a high of \$1.89. In 1953 they were equal to \$1.29 per share, and in view of the expense involved in moving into new quarters, little change is expected this year. The new plant is located in Denville, N. J., only a short distance from present quarters in Rockaway, and the rocket-testing grounds at Lake Denemark.

It is probably too early to begin a serious discussion about intercontinental missiles, but Reaction will certainly be among the foremost companies when such a weapon becomes feasible. Rockets of this company are ideally suited for long-range work, since they carry their own supply of liquid oxygen and hence can fly far above the earth's atmosphere.

Marketwise, the stock of Re-action Motors has at times been a problem. There are presently outstanding only 122.026 shares. At last report Mathieson Chemical owned 60,464, and Laurance S. Rockefeller 26,500 shares. Directors and officers owned an additional 9,000 shares. That leaves only about 26,000 shares for the public. Admittedly, that is a small amount. It makes for a thin market and erratic price movements. The only advice in this respect that I can give is to acquire the stock when and as it becomes available.

A stock like this is a calculated risk. It may never live up to its promise. It may, however, on the basis of only a single production contract, rise to fantastic heights because of the small capitalization plus the fact that many growth stocks in new fields comparable to rocket propulsion sell at a liberal ratio of 20 times annual earnings.

Reaction Motors traded in the Over-the-Counter Market, is the best speculation of which I have knowledge at present for largest potential capital gains.

### Zora in Trading Dept., Campbell, Inv. Dept. For First Nat'l Bank

PORTLAND, Oreg.-Ray J. Zora First National Bank of Portland, and Richard Campbell, formerly in charge of trading is now in the public relations section of the investment department.

#### Harry MacCallum, Jr.

Harry MacCallum, Jr., President of MacCallum & Co., Mt. Vernon, N. Y., passed away May

# Railroad Securities

#### Baltimore & Ohio

able interest has been develop-Ohio. This stock, while it has been actively bought in the past few weeks, has advanced only modestly from the year's low and is still substantially below the high established early last year. It is possible that the recent rather disappointingly sluggish market action may be due to some selling by those who had been anticipating that by one means or another the loan from the RFC would be revamped and sold in serial form to the public. While such a step picture to some extent, and spaced out the company's earliest close to the company as any seriously adverse development.

From a traffic standpoint the looked upon as potentially the best of the large eastern carriers. For one thing, large high grade bituminous coal fields along the company's lines in West Virginia, which went virtually untapped until the early 1940s, are now being exploited. It is expected that traffic from this source will continue to expand. Secondly, Baltimore & Ohio has been a major beneficiary of the increase in the importation of foreign ores through the Port of Baltimore. and this business is also still in the growth stage. Finally, there in the Ohio River Valley where the potentialities are still substan-Reflecting these developments. Baltimore & Ohio's reveare confident that the end has not even yet been reached.

Aside from the favorable traffic picture, analysts are impressed years ago and which has proven as a maximum.

Among the more speculative is- highly successful in the past in sues in the rail group, consider- rapidly readjusting expenses to the level of traffic in periods of ing among railroad analysts in the adversity. As the company is to a common stock of Baltimore & considerable extent affected by the rate of activity in the steel industry its traffic and revenues have declined at a more rapid rate than the industry average so far this year. For the first quargross was down some 17.6 million or a little more than 16% from a year earlier. The transportation ratio was up considerably but mantenance costs were held in check in line with the reduced level of traffic and the overall operating ratio increased less than two points, to 82.0%. With Fedwould have improved the debt eral income taxes also lower the decline in net income was held to \$2.555,000 or less than \$1.00 a sizable maturity, failure of the share of common stock. Compariplan is not looked upon by those sons in later months should be considerably more favorable and while it seems certain that last year's share earnings of \$10.02, status of Baltimore & Ohio is before sinking and other reserve funds, will not be matched in 1954 it does seem probable that as much as \$7.00 a share could be realized.

At the present time, of course, dividend paying ability is restricted by the substantial sinking funds and the capital fund set up in the company's readjustment plan of a few years ago. The capital fund of 21/2% of gross annually, less charges for depreciation of way, and the general sinking fund of \$1,740,757 are more or less permanent but not onerous. The additional so-called surplus income has been the industrial expansion fund, however, absorbs 50% of net income plus an amount equal to any dividends paid on the preferred and common stocks. These heavy requirements are modified. nue trend in recent years has or eliminated, as fixed charges been improving, and most analysts and contingent interest are reduced. Many analysts feel that the first goal of reducing these charges to \$22 million, which would reduce the 50% of net inwith the comprehensive budget- come requirement to a maximum ary control system that was insti- of \$750,000 a year, may well be tuted by Baltimore & Ohio a few reached within the next two years

Continued from page 15

# Financial Side of Our Economy

will be paid in the year earned, insurance companies will take in ther reduce corporate demand. too far will have to be rebuilt with the aid of borrowed funds.

stantial, it will not press hard stitutions and fraternal orders. enough on the increased supply may be anticipated.

record may be broken in 1954, received. Specifically, life insurance comfunds that are not operated by 1953, especially if reserve require- justment.

will mean that 110% of taxes will an additional \$1.5 billion. Furhave to be paid in each year ther large additions of investment sented by the offerings of new during the transition period funds will come from the savings tax-exempts will increase al-Other factors of increased credit and loan associations, from the though it now looks as if part of demand will be declining liquid- commercial banks, and from the increase will be offset by a ity of working capital through mutual savings banks. These fi- decline in public housing. some slowing of accounts receiv- nancial institutions reported adable and inventory turnover and, ditions to time deposits and other the increase in government borin some cases, actual losses in- investment funds of \$8.5 billion rowing, the supply of capital in stead of profits from operations. in 1953. All are expected to do the months ahead would be defiin addition, in some lines inven- as well, or even better, this year nitely-yes painfully-larger than tories that are permitted to drop in their gains of investment funds. the demand.

In addition, although the exact figures are not available, a grow-On balance, it might be said ing volume of savings is going that while demand will be sub- into union funds eleemosynary in-

The supply of so called negative to cause higher interest rates. In savings, that is mortgage and debt fact, depending on what the Fed- amortization funds, will be very eral Reserve authorities may do, large. Mortgages at the end of a further decline in interest rates 1953 had reached a total of \$100.5 billion. Assuming a 5% rate of eral Reserve and Treasury poliamortization, this will bring back cies are concerned. Supply in the Long-Term Market more than \$5 billion in the capital In the long-term, or capital, markets, to say nothing of the inmarket the supply outlook is so terest on the \$100.5 billion, at the financial side of our economy favorable as to loom positively least a part of which will have nor from failure to make its uncomfortable. The supply of to be invested. Corporate bond stimulating facilities fully availcash savings in 1953 was within sinking funds and other debt re- able. \$100 million of the record total payments should furnish nearly of \$13.7 billion set in 1952. Pres- \$3 billion more, as well as inent indications are that the 1952 vestment of some of the interest to cushion the impact of any pos-

ments are reduced. Also, we should not overlook the foreign purchases which may be quite substantial, especially of the shorter term government securi-

So, it seems that any way you look at it, the supply of capital seeking investment will be greater in 1954 than it was last

#### Demand in the Long-Term Market

The present outlook is for a decline in demand in the longterm market.

Despite the present more-thana-million annual rate of housing starts, it is still doubtful that as many mortgages will be available on one to four family houses as there were last year. In connection with some of the proposals being made to keep the housing boom rolling, such as lengthening the FHA insurance terms to 30 years, and providing for 40-year insured mortgages with nominal down payments for low income groups, you might want to keep in mind a statement attributed by "Bankers Research" to R. Manning Brown, Jr., Second Vice-President, New York Life Insurance Company, to the effect that out of 69 VA loans foreclosed in 1953, 61 were no-down-payment loans. Furthermore, he was said to have stated that 93% of VA loan delinguencies were on mortgages with less than 5% paid down.

Corporate demand will be much smaller in 1954 as virtually all of the funds needed by business will be supplied from internal sources. In fact, increasing reliance on internal sources for funds has been an outstanding characteristic of recent years. These internal sources include undistributed profits and depletion and depreciation allowances. Although profits will decline in 1954, funds from this source will still be very substantial. Depreciation allowances, partly because of the great increase in plant and equipment since the end of World War II. and partly because of accelerated depreciation, reached a huge total in 1953, which is expected even to be exceeded this year. In 1953 these sources (undistributed profits, depletion and depreciation) supplied total funds of \$21.6 billion. Inventory accumulation required nearly \$4 billion of credit and capital in 1953. As inventories shrink, funds will be released. Although capital expenditures for 1954 are estimated at \$27.2 billion, this is 4% less than last year and this will fur-

Municipal demand as repre-

All in all, if it were not for

#### Conclusions

Business developments are having an impact even greater than usual on our financial institutions and credit policies.

Until an upturn in the business trend materializes, we can apparently expect "more of the same" stimulants so far as Fed-

If business activity falters, it will not be from any weakness in

Our financial institutions are in an exceptionally strong position sible further downturn in the In addition, the commercial business trend and to finance the panies will take in over \$5 bil- banks are likely to be in the mar- business expansion which is cerlion of new funds. The pension ket for more securities than in tain to follow the current read-

# Bank and Insurance Stocks

By H. E. JOHNSON =

#### This Week — Bank Stocks

Bank stocks during the past two months have been showing a moderate though consistent upward trend. As a result prices of New York bank shares during the past two weeks have reached the best level since that which prevailed at the beginning of 1954

Buying in the respective shares has not been particularly aggressive and there has not been any merger rumors to spark speculative buying. By and large the buying has come from institutional investors interested in the income or investment features of bank shares.

The pattern of the general stock market has reflected these same factors at work. Thus the quality issues have been in the lead of the upward movements of the market. As the prices rose, the yields provided declined. This in turn focused attention on bank shares which provide reasonable and secure returns.

As with the general stock market, however, there has been considerable divergence among the different issues. The action as revealed by the index obscures certain changes in the individual issues. For example the "American Banker" index of New York City bank shares on Dec. 31, 1953 was 55.6. After a moderate reaction through the first two months, the index reached a low of 52.6 in March. Since that time the upward trend has carried the average to the high of 56.3 reached on May 21.

Thus, the index indicates some slight improvement over yearend prices. However, seven out of the seventeen leading New York issues are quoted below the year-end figures and three others show gains of less than a point. A number of issues on the other hand show moderate gains. Empire Trust is 14 points higher and Manufacturers Trust shows a gain of over six points among the better acting issues.

Market changes, including the 1954 price range, for the 17 principal New York banks and five of the leading institutions outside of the city are shown in the following tabulation:

	Current	Bid Price		1954
	Market	Dec. 31, 1953	Change	Price Range
Bank of Manhattan		383/4	- 3	381/2- 333/4
Bank of New York	383	379	+ 4	387 -367
Bankers Trust	49 1/2	52 1/2	- 3	521/2- 45%
Chase National	45 %	451/2	+ 1/8	46 - 431/2
Chemical Bank	47 1/2	48	- 1/2	48 - 43 %
Corn Exchange	621/4	613/4	1- 1/2	$62\frac{3}{4} - 60$
Empire Trust	135	121	+14	135 -119
First National		380	+ 6	391 - 377
Guaranty Trust	65 %	65 1/4	+ 3/8	661/8- 611/2
Hanover Bank		891/8	- 3 3/8	92 - 831/2
Irving Trust	24 1/2	23	+ 11/2	24 % - 22 3/4
Manufacturers Trust		62 1/2	+ 61/8	683/4- 613/4
Morgan, J. P	252	259	- 7	266 - 251
National City		52	+ 13/4	54 1/8- 47 1/8
New York Trust		1131/2	- 3	1133/4-108
Public National		423/8	- 7/8	423/8- 393/4
U. S. Trust	284	281	+ 3	292 - 276
Bank of America		343/4	+ 1/4	35 - 321/2
First National-Boston		491/2	+ 2	517/8- 485/8
First Nat'l-Chicago		262	+31	293 -261
Continental III. Nat'l			+ 6	
Secur. First Nat'l (L.A.)		48	4	531/2- 473/8
The second secon				

Some of the banks outside of New York have done better marketwise than the large New York City institutions. In part this is a reflection of the better operating records some of the banks have been able to show over the past decade. Also, in recent years, investors desiring to obtain diversification have sought bank investment in some of the faster growing areas and this has helped the market for such shares.

In the coming months we would expect bank stocks to continue their upward trend. Spectacular price improvements are not likely unless there is a revival of merger rumors. For the most part gains should be modest but steady.

The reasons for expecting some improvement in prices are several. In the first place operating earnings for most banks are showing gains over last year and are somewhat better than estimated earlier. At the same time the rise in bond prices has resulted in substantial appreciation in market values of security holdings, so that additions to surplus for 1954 will undoubtedly be higher than last year. This may be justification for expecting larger dividends.

Another important factor is that the decline in yields of investment securities over the past year has made bank stocks relatively more attractive. In fact it is one of the few investment groups on which yields today are only slightly lower than a

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Specialists in Bank Stocks Continued from first page

# **British and American Economic Progress**

others are enjoying the fruits of the great and hard work which began here.

Fully appreciating the benefits we have had from your industrial pioneering, American industry has recently been more than happy to be able to offer some small service in return. As part of the technical assistance program of the Marshall Plan, firms in about 50 different American industries opened their doors to their British colleagues-and competitors-who came to visit under the auspices of the Anglo-American Council on Productivity. These teams of British managers, technicians and workers from the shop floor sought to obtain information on the latest techniques and methods of work used by the best American firms. The reports of these teams have turned out to be most useful not only to industries here, but to those in the United States as well. Many of the recommendations made, I understand, have been introduced in firms throughout Britain.

On our side, some of these British reports are so authoritative and complete that they are being used as textbooks in numerous technical courses in our universities and technical schools. It is encouraging to know that the British Productivity Council is now continuing the work begun by its predecessor, the Anglo-American Council, and I believe it augurs well for the future of British industry that the new Council has been able to set up so many local committees in all the centers of British industry to advance the cause of increased efficiency. I am informed that the Birmingham Productivity Association is an outstanding one among these local committees, and I was pleased to learn of your recent successful and well-attended meeting here, the broad program you have launched and, most important, the financial contributions which your business community is making to support this essential effort.

I am convinced that one cannot over-estimate the importance to he British people of this campaign to raise still further the productivity of British industry. Some of the things I saw today at Castle Bromwich show very clearly what Birmingham and other centers of British engineering are able to produce. They can stand up to, and in many instances probably beat, the best anywhere. might well have illustrated the But in this competitive world, in like every other industria to the contrary, there is no Easy Row to Paradise Street. The answer for all of us lies in Birmingham's motto: "Forward."

#### Importance of British Export Trade

You here know far better than I the extent to which your industry depends on the export trade. And it is, of course, not only your industry but the standard of living of the British people-and its very ish exports to the rest of the Britain, or any other country for tion in quality, in price, in delivery and in servicing. The vital element of price competition can

generations now living in your ciency by adopting the very best country and mine and in many and latest techniques of manufac- biles are now beginning to rival ture and by the constant improvement of management skill and human relations.

> Because of Britain's utter dependence on exports, the drive to increase productivity is more vital to her than to almost any other country in the world.

There is no need for me to repeat what leaders of your government and industry have stated many times and what you well know about the importance to the United Kingdom of the dollar mixing them or affecting our road market. A major part of that market is the United States. And many of you in this room have my countrymen across the water. For there are many Birmingham the United States, products ranging from chocolates to tractors. I do not believe it is fully appreci-ated in this country how much we in the United States have been buying from Britain, how popular some of your products are and how steadily your exports to us have grown over the past few

In discussing your exports to the United States, my colleagues and I have had a special fondness for eiting the figures in three important industries. All of them happen to be industries of which Birmingham is a leading center of production.

The first is motorcycles. You used to sell about 100 motorcycles a year to Americans before the war. Now it seems you have been selling us motorcycles at the rate of more than 6,000 a year. Just in case this figure does not impress you, living as you do in this motorcycle metropolis, let me point out that your sales in the United States now account for more than 40% of our whole motorcycle market at home.

1939 Britain exported about 8,500 bicycles to the United States. Last year, 1953, you sold us, and particularly our children, more than 400,000. That is a truly startling increase.

Finally, I would mention the case of the British motor car. For generations the English-speaking world has been using the phrase "Carrying coals to Newcastle" to illustrate the absurdity of one type of fruitless activity. Since the development of automobile mass production in the United States several decades ago, one same type of commercial absurdity hy e notion "Selling cars facturers have been doing. British cars are now being sold in Detroit and in many other cities of the United States. Before the war, in 1938, you exported 347 cars to the United States. Last year you sold us more than 25,000.

Birmingham has naturally played a large part in this remarkable success story and I am told that, because of recent trade developments here, it is a continuing story. Expectations of our survival-which depend on the own auto sales at home are not maintenance and increase of Brit- as high this year as last, and normal British car sales may also be world. The only way in which somewhat less. But in addition to specific recommendations for furthe normal sales, one of your large

up immediately from 300 a week 500 a week. It seems clear alyear for the sale of British cars to the American people.

The figures show that automowhisky as the main British dollarearner in the United States. Those of you who have traveled on our roads in the United States have probably seen the slogan: "If you drink, don't drive; if you drive, don't drink." Let me hasten to assure you that this is not part of an American protectionist campaign directed against British exports! The U.S. market is large enough to absorb both these British products without necessarily safety efforts.

Because of its size; the United States is more than one market. undoubtedly had considerable ex- It is a combination of a number perience in selling your goods to of regional markets." It is also a huge market in terms of the purchasing power available to the products which sell very well in American people. And the record shows that this enormous market is highly receptive to foreign goods.

The value of American imports rom the rest of the world is now bout four times what it was be-World War II. The actual physical volume of goods imported by the United States is now 60% greater than it was before the war and reached a record level in 1953.

As for our imports from the United Kingdom itself, their total value last year was 21/2 times their value just five years earlier in 1948.

There seems to have been some concern among businessmen here and elsewhere that even though American imports have been growing; something drastic might suddenly happen to change the course in the opposite direction. There have been two major sources of concern: one being what the United States Government might do which would tend to reduce exports to the United States, and the other being what might happen to the American economy to affect our foreign The second item is bicycles. In trade. I should like to say a few words about each of these matters.

#### The Randall Report

On the government side, the most pertinent point to keep in mind is the report of the Randall Commission. Last August, President Eisenhower appointed a commission of 17 members, under the chairmanship of Clarence B. Randall and including ten members from the two Houses of Congress, to review the foreign economic policy of the United States and to make recommendations to Congress and the Administration for

in January country, must keep moving ahead to Detroit." Yet, impossible as it highly constructive, practical and record level, the predicted calamin efficiency as well as in quality. may have seemed, this is exactly reassuring document. It took into For, despite some local indications what Britain's motor car manu- account the interests of all seg- no one either in business or ments of the American people, as Government who felt that the well as the interests of the nation American economy was headed as a whole and the needs of other

countries in the free world. several recommendations designed to promote the highest levels of international trade. It urged that additional powers be granted to the President to make further tariff reductions, in addition to the many reductions in our tariff rates which have taken place over the past several years. It made ther simplification of our customs

firm has asked that production even with the Buy American Act here on this order alone be stepped as it stands, more than half of all contracts for electrical equipment to 400 a week, and ultimately to awarded in the past four years by gublic authorities in the United ready that this will be a record States have been granted to foreign manufacturers, including those British firms which are supplying electrical equipment to several of our vast new power projects in the western States.

The Randall Commission made numerous other proposals to liberalize trade and also suggested that the Administration take the necessary action available to it in the International Monetary Fund and our own Federal Reserve System to help bolster the currencies of those countries seeking to achieve currency convertibility.

Since the publication of this report, President Eisenhower has sent a message to Congress based squarely on the Report's main recommendations and requesting the Congress to pass the legislation needed to bring these recommendations into effect.

Last year the Congress passed a law which made substantial improvements in our customs administration. The House of Representatives also passed a bill which simplifies the methods used in customs valuation, and it is now being considered by the Senate. A bill has also been introduced embodying the recommendations made by the Randall Commission to extend the President's power to reduce certain tariff rates.

I do not know what the fate of this legislation will be, or whether it will be possible to take action on it this session, but I have described the whole situation in regard to the Randall Commission, its report, and the President's message to make clear the direction in which things are moving on this subject in the United States. From what has happened already, one can be quite certain that the fears of a reverse trend in import policy are unjustified. The direction of events and of governmental thinking is obviously toward greater trade liberalization and the promotion of higher levels of world commerce.

#### No Serious Recession in U. S.

So much for the governmental side. The other concern has been American business conditions and their effect on Britain's trade with the dollar area.

Some prognosticators of gloom told us many monds ago that the bottom was going to fall out of the American economy following the down-turn of fast fall, and that whatever happened in America would be multiplied in its effects on this side of the ocean.

Two days ago I returned from a trip to the United States where I spent more than a week. I can The Commission's report was report to you that although economic activity is below last year's ity has not taken place. I found for any kind of serious depression. The question in most minds The majority report, which was seemed to be merely whether it approved by 14 out of the 17 would bump along for some time members of the Commission, made with slight ups and downs or whether the upward turn was going to set in fairly soon. There latter possibility to counterbalance those which pointed to the all nations who participate in it. former. Although production is for new plant and equipment on that matter, can keep on selling firms here has entered into an regulations and procedures. It almost the same scale as last year the last analysis on their comits products abroad, is to produce arrangement to manufacture at asked for amendment of the "Buy and in some instances on even bined strength. All the free counits goods to meet world competi- least 20,000 cars in Birmingham American" legislation under which a greater scale than a year ago, tries have a vital stake in the for shipment to an American the Federal Government has given and the boom in private build- common defense. Each has its remanufacturing firm in Detroit a certain degree of preference to ing continues. Consumers are sponsibilities to assume and its which will sell them on the Amer- American bidders on government spending less than before on dur- burdens to bear in the great joint be met only if industry maintains ican market through its own dis- contracts. I was interested to read able goods, but seem to be spend- effort to deter aggression and to itself at the highest peak of effi- tribution channels. I have also the other day, in a statement by ing more on other things, and the preserve our liberties. We have

been informed that the American the U.S. electrical industry, that lowering of taxes may provide more purchasing power to encourage a turn in the production curve. As a result of these mixed developments some of the prophets of doom have begun to crawl back off their precarious limbs.

As for the assumed multiplication of the American rate of recession on this side of the ocean, it has not occurred at all. Contrary to the much advertised prognosis, the American cold has not resulted in European pneumonia. One of the facts on which this prediction has been based was that in the American recession of 1949, British exports to the United States had dropped 40% by the time American industrial production had fallen by only 9%. Because this happened on that occasion and because there had been somewhat similar experiences during one or two other period:, the assumption seemed to be widespread that this was bound to be the case forever after. It has not turned out This time when the that way. American production index came down by 10%. Britain's exports to the U.S. during the same period fell only 14%. There is nothing at all frightening about that.

#### Free Nations' Economies Have Been Strengthened

One of the basic differences, :I believe, between the present situation and some of the earlier difficulties is that the economies of the free countries in this part of the world have been strengthened enormously during the past few years. Their production is greater, their efficiency is higher, their trading ability is improved and their financial position is generally stronger. The best proof of this is the fact that some of the countries are now thinking seriously about, and moving gradually toward, the convertibility of their currencies. This matter was again an item of considerable interest at the meeting in Paris last week of the Organization for European Economic Cooperation. In this connection it is useful to remember that President Eisenhower, in his message to Congress a few weeks ago transmitting his recommendations on the report of the Randall Commission, said that the Administration "will support the use of the resources of the International Monetary Fund as a bulwark to strengthen the currencies of countries which undertake convertibility" and that it was studying the possibility of stand-by credits for this purpose from our own Federal Reserve

To sum up, I do not see any cause for concern on the part of the British exporter to the United States either on the score of Government action or because of the state of the American economy. On both counts, I feel the omens are favorable. The market is there and generally accessible. British exporters can, and I am sure will, continue to improve on their past fine achievements. As before, I am certain that Birmingham will more than play its part.

The interest which we Americans have in British trade is twofold. One is economic self-interest. In the long-run the more were several economic indicators you sell to us the more we can which seemed to point to the eventually expect to sell to you. A high volume of trade benefits

Secondly, a strong economy down about 12% from its high here is indispensable to the secupoint in the middle of 1953, in- rity of the whole free world. The dustry is going ahead with plans survival of the free nations during these troubled days rests in

all been deeply conscious in the curity of the free world is the past few days of the herioc sac-fundamental unity of the British rifices which France in particular and American people. There can and the Associated States of Indo- be no mistake about that. It is China as well, have been making our common task, essential to our for all of us in the common cause. continued existence as free na-But there can be no doubt that tions, to maintain that unity, to the most vital factor in the se- preserve it and to promote it.

Continued from page 4

# The State of Trade and Industry

week earlier, due to this same factor, Chrysler and De Soto scheduled four work days, the latter for the third straight week. 'Wards' said Ford Division is sparking industry car output

this month with a 7.5% increase in production over April, although Chevrolet holds industry leadership thus far in May by a comfortable margin.

The United States Department of Agriculture in its April report states that farm income for that month dropped to \$1,900,-000,000, down 5% from March. Farm product prices were about the same as in March, but marketings were smaller. Compared with April, 1953, both prices and marketings were slightly lower. For the first four months of the year, farm income was off 3% from the 1953 level.

Despite a slight dip in number of new businesses chartered during April, the total at 10,272, was the highest for that month since 1947. Dun & Bradstreet, Inc., reports. It represented a drop of 2.3% from the March count at 10,514, and with that exception, it was the highest for any previous month since January, 1948. April's total of 10,272 new corporations compared with 9,507 in the corresponding month a year ago, or an increase of 8.0%

New business incorporations for the first four months of 1954 reached a total of 38,862, which was exceeded only in the postwar years of 1947 and 1946. Compared with the 36,577 company formations in the first four months of 1953, there was a gain

Although continuing at a relatively high level, the April volume of building permits throughout the country showed a mild decline from the March total, and, for the first time in 19 months, displayed a drop from the corresponding month of the previous year. Permits issued in 215 cities, including New York, last month were valued at \$484,376,230, a decrease of 8.6% from the record high April figure of \$529,974,414 a year ago, reports Dun & Bradstreet, Inc. The last previous month to show a decline from the similar month of the preceding year was September, 1952. The current total reflects a loss of 4.5% as compared with the March sum of \$507,370,511.

Applications for building permits filed in New York City alone during April totaled \$55,063,895, a rise of 8.7% over April, 1953 with \$50.678,096, but a drop of 44.4% as compared with March's

\$99,045,726.

#### Steel Output This Week Scheduled Above 70% of Capacity

Steel ingot production rose to 71.8% (actual) of capacity in the last week, highest level recorded since the first week of March, says "Steel," the weekly magazine of metalworking.

This rise over the preceding week was due primarily to sharp increases in production in the Far West and in the Birmingham district. In the Far West, a strike was ended at the Fontana, Calif., works of Kaiser Steel Corp. In the Birmingham area, some of the steelmaking facilities had been idle and a good many steelworkers

had been on vacation, it further states. Most of the strengthening in ingot production stems from a widespread increase in demand from steel users who have lowered their steel inventories as far as they wish. Practically none of the upturn comes from protective buying against a steelworkers' strike or United States intervention in Indo-China. Of the two, United States military intervention in Indo-China would be the more likely to touch off a buying spree, since a strike would be of only minor duration compared with war, and many steel users would feel their inventories would safely carry them over a labor dispute, it adds.

The edging up in demand covers most steel products, although all steel producers are not feeling the improvement equally Specifications from makers of light, consumer durables are slightly more numerous than they were, and a seasonal upswing in tin plate, structurals and tubular goods is being felt, too. The increase in railroad car loading is even being accompanied by a slight stir in railroad demand for steel, continues this trade magazine.

Not only are steel mills noticing a slight strengthening in demand for steel but so are warehouses, "Steel" concludes.

The American Iron and Steel Institute announced that the operating rate of steel companies having 96.1% of the steelmaking capacity for the entire industry will be at an average of 70.5% of for the week beginning May 24, 1954, equivalent to 1,680,000 tons of ingots and steel for castings, as against 1,712,000

tons and 71.8% (actual) a week ago. The industry's ingot production rate for the weeks in 1954 is now based on annual capacity of 124,330,410 tons as of Jan. 1, 1954.

For the like week a month ago the rate was 68.7% and production 1,637,000 tons. A year ago the actual weekly production was placed at 2,262,000 tons or 100.3%. The operating rate is not comparable because capacity was lower than capacity in 1954. The percentage figures for last year are based on annual capacity of 117,547,470 tons as of Jan. 1, 1953.

#### Electric Output Moves Slightly Lower the Past Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, May 22, 1954, was estimated at 8,373,000,000 kwh., according to the Edison Electric Institute.

The current figure represents a decrease of 7,000,000 kwh. below the preceding week, but an increase of 361,000,000 kwh., or 4.5% over the comparable 1953 week and 1,227,000,000 kwh. over the like week in 1952.

Car Loadings Rise 4.6% in Latest Week

Loadings of revenue freight for the week ended May 15, 1954, increased 29,627 cars or 4.6% above the preceding week, according to the Association of American Railroads.

Loadings totaled 677,581 cars, a decrease of 102,224 cars or 13.1% below the corresponding 1953 week, and a decrease of 76,867 cars or 10.2% below the corresponding week in 1952.

#### U. S. Auto Output Last Week Advanced 4% Above **Prior Week's Total**

The automotive industry for the latest week, ended May 21, according to "Ward's Automotive Reports," assembled an estimated 126,596 cars, compared with 120,930 (revised) in the previous week. The past week's production total of cars and trucks amounted to 148,835 units, rising 4% above last week's 143,269 completions of cars and trucks and exceeded any week going back to August 17-22, when 155,722 units left the assembly line.

Last week, the agency reported there were 22,339 trucks made in this country, as against 22,339 (revised) in the previous week and 19,452 in the like 1953 week.

"Ward's" estimated Canadian plants turned out 7,673 cars and 1,476 trucks last week, against 8,300 cars and 1,867 trucks in the preceding week and 7,903 cars and 2,935 trucks in the comparable

#### Business Failures Hold to a Steady Pace

Commercial and industrial failures continued at 248 in the week ended May 20, Dun & Bradstreet, Inc., noted. While casualties were considerably heavier than in the comparable weeks of 1953 and 1952 when 156 and 145 occurred respectively, they remained 14% below the prewar toll of 289 in the similar week of 1939.

Failures involving liabilities of \$5,000 or more edged up to 211 from 208 last week, but sharply exceeded the 123 of this size a year ago. On the other hand, there was a dip among small casualties, those with liabilities under \$5,000, to 37 from 40, although they continued slightly above their total of 33 last year. Fifteen businesses failed with liabilities in excess of \$100,000, as against 20 in the previous week.

Little change occurred during the week in industry and trade groups. More concerns succumbed than last year in all lines. The upturn from 1953 was exceedingly sharp in construction and amounted to more than 50% in all other groups except com-

mercial service.

Six of the nine major geographic regions reported slightly lower mortality during the week. In contrast, market increases were indicated in the East North Central States where the toll climbed to 40 from 25, the South Atlantic to 24 from 17, and the East South Central to 9 from 5. These three areas and New England had two or more times as many concerns failing as a year ago. In fact, a notable uptrend from 1953 prevailed in all regions except the West South Central and Mountain States

#### Food Price Index Rises Sharply in Latest Week

A general upswing in food prices last week lifted the Dun & Bradstreet wholesale food price index sharply higher to stand at \$7.39 on May 18. This was a rise of 8 cents over last week's \$7.31 and more than wiped out the sharp drop of a week ago. The current level compares with \$6.47 on the corresponding date last year, or an increase of 14.2%.

The index represents the sum total of the price per pound of 31 foods in general use and its chief function is to show the general

trend of food prices at the wholesale level.

#### Wholesale Commodity Price Index Moves Moderately Upward

The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., registered a moderate advance during the past week. The index finished at 275.94 on May 18, as compared with 273.96 a week earlier, and with 279.15 on the corresponding date of last year.

Grain markets continued irregular, following sharp declines early in the week, corn, oats and rye turned higher to register moderate net gains for the period. Wheat failed to join the upturn with weakness in the bread cereal attributed to the improved Winter wheat crop prospects and the expected early supplies, together with slow mill demand and the lack of export buying. Strength in corn and oats reflected meager producer marketings and an active demand by processors and feed manufacturers. The firmer trend in rye was influenced by the advance in rye prices at Winnipeg. Daily average purchases of grain and soybean futures on the Chicago Board of Trade last week totaled 50,700,000 bushels, down from 63,400,000 the previous week, but considerably higher than the 37,400,000 of a year ago.

Domestic flour bookings continued at the slow pace of recent weeks. Some interest developed in Spring wheat flours late in the week but buying was scattered. Cocoa scored substantial gains before a technical reaction set in toward the close of the period.

The tightening supply position and new record high prices paid for Brazilian and African cocoa accounted for the marked strength shown during the week.

stocks of cocoa pared with 119,535 a week earlier, and with 140,540 bags at this time a year ago.

Coffee prices fluctuated over a fairly wide range and closed about unchanged for the week. Brazil offerings were light with sellers fearful of current heavy rains which may cause deterioration to the crop being harvested.

Domestic raw sugar prices trended slightly downward in quiet trading. Refined sugar demand was also dull with prices holding about steady.

Lard prices turned higher reflecting strength in related markets. Hogs values moved upward last week despite the fact the receipts were the heaviest for any week since last January. Steers closed slightly lower with receipts also the heaviest since January.

Domestic cotton prices showed steady improvement during the past week. The ten-market average price for the staple reached the highest level in over 17 months. Stimulating influences included the better outlook for exports, reports of substantial improvement in demand for certain cotton goods, and less favorable reports on the crop situation in south-eastern portions of the belt. Reported sales in the ten spot markets increased sharply and totaled 92,400 bales for the week, against 78,000 a week earlier. and 45,800 a year ago. Sales for export continued in fairly good volume. The CCC reported loans outstanding on 1953-crop cotton as of May 7 at 5,816,600 bales, down 46,041 bales from a week ago.

The average lint yield per acre for the 1953 crop was 324.2 pounds, the highest on record.

#### Trade Volume Registers Lower Trend Due in Part To Cold and Wet Weather

While there were many anniversary sales, dollar days and other special promotions, consumer spending in the period ended on Wednesday of last week declined as compared with both a week ago and a year ago; intermittently cool and rainy weather continue in many parts of the country.

#### The largest sales were reported in medium and lower priced items.

The total dollar volume of retail trade in the week was estimated by Dun & Bradstreet, Inc., to be from 3 to 7% below the level of a year ago. Regional estimates varied from the comparable 1953 levels by the following percentages: Northwest -10 to -6; East -8 to -4; South and Midwest -7 to -3; Pacific Coast -6 to -2; New England -5 to -1, and Southwest -3 to +1.

Consumers' requests for women's apparel remained ur-changed from the volume of last week; sales of women's dresses have been high every week since Easter, particularly in sportswear and between-season cotton separates. Rainwear in all departments was one of the week's best sellers. Men's work clothes increased in sales, but the purchase of suits and furnishings declined from last week. The demand for children's clothes was below last week's level but above a year

The volume of food purchases edged up over the preceding week, with marked gains in fresh fruits and vegetables. Eggs were more popular as a result of the lowest retail prices in four years, but there was a slackening of buying in meat, fish, and poultry.

Household purchases improved moderately over last week but were still well below last year's retail figure. Outdoor furniture, fiber rugs, and television sets led in sales and there were general declines in purchases of major appliances.

Activity in the wholesale markets the past week generally continued at the previous week's improved level but was slightly below the high volume of the corresponding week in 1953.

Department store sales on country-wide basis as taken from the Federal Reserve Board's index for the week ended May 15, 1954 decreased 8% under the level of the preceding week. In the previous week, May 8, 1954, a decrease of 4% was reported from that of the similar week in 1953. For the four weeks ended May 15, 1954, a decrease of 4% was reported. For the period \*Jan. 1 to May 15, 1954, department store sales registered a decrease of 3% below the corresponding period of 1953.

Retail trade volume in New York City the past week was hampered by cold and wet weather and as a consequence, declined about 5 to 10% under the like period a year ago, trade estimates disclose.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended May 15, 1954, registered a decline of 6% from the like period of last year. In the preceding week, May 8, 1954, no change was reported from that of the similar week in 1953, while for the four weeks ended May 15, 1954, a decrease of 3% was reported. For the period \*Jan. 1 to May 15, 1954, a decline of 1% was registered from that of the 1953 period.

<sup>°</sup>Comparison period begins with the Jan. 4-9 week in 1954 and with the Jan. 5-10 week in 1953.

Continued from first page

# As We See It

in later life appears to have gained a glimpse of the underlying basis of the situation, although we think only a part of it. In 1947 he wrote as follows: "What happened after World War I was that we lacked the courage to enforce the authoritative decision of the international world. We agreed . . . that aggressive war must end. We renounced it and we condemned those who might use it. But it was a moral condemnation only. We thus did not reach the second half of the question . . . what will you do to an aggressor if you catch him?"

#### "Moral Condemnation"

Yes, it was a "moral condemnation only." In point of fact we have considerable doubt whether it was even that -if any very real meaning is to be assigned to the word "aggressor," and if what we mean by "we" is the world at large. Certain idealists in this country under the leadership of Woodrow Wilson, inspired by the brazen conduct of Germany in invading Belgium, had developed a concept that enabled them to label Germany an "aggressor," and to make use of the term to advance their ideas or ambitions for an organization to govern world affairs.

But nowhere was the term "aggressor" closely defined. It seemed to mean any nation which undertook by force or intrigue to alter the status quo among nations. It was pursuant to this line of thought that Secretary Stimson was so incensed at the action of Japan in 1931. It may be seriously doubted, however, whether other great powers did more than condemn Germany when they uttered strong words about "aggressors." Probably they would have been ready to label in this way any country which stepped on their toes anywhere in the world and, possibly, in sufficiently extreme circumstances would have been willing to take military action.

But through the centuries the first class powers of that day, other than the United States, and even the lesser countries with long histories of imperialism, had long been primarily concerned with looking after their individual interests in various parts of the world. They had, moreover, long developed a cold blooded realism in the conduct of their foreign affairs. This, perhaps, was particularly true of Great Britain, which had for many decades been developing an attitude of great flexibility toward the trouble spots of her Empire which was soon to become a "Commonwealth of Nations." She had long ago learned to yield where stubbornness did not seem to promise good results, and give ground in order to hold what could be held at something less than prohibitive costs. All of them had long established the policy of keeping strictly aloof from situations in which they had no clearly discernible interest.

#### We Enter!

Into this situation came the United States of America with little or no experience in what was called world politics, with a loudly proclaimed lack of interest in acquiring territory or other concessions from any other part of the world, and, compared with other nations, little or no empire to conserve or to protect. And into this situa-tion we came with a sort of abstract principle of ethics, a principle for which we asked other countries to be ready to fight. They hardly grasped what we had in mind. They had never been interested in "principles" in dealing with world affairs; it is clear enough that neither World War I nor the preachings of the idealists in this country had served to generate much interest in them. It may well be doubted whether they have much more now.

It is evident that they are not disposed, as are we all too frequently, to see world affairs as all black and white. It is clear, too, that they, or many of them in any event, are not much interested in "freedom" as we define the term. Nor are they ready to fight for it. They think of the Kremlin much more in terms of a competitor in a world of imperialism (a 1954 version, possibly, but imperialism just the same)-much as they thought of the Czarist Russia of days gone by. They are concerned about the Kremlin in the degree and only in the degree that they see a danger to them and their interests, and they are doubtless prepared to contest the progress of the Kremlin only when and on those battlefields where they feel they have a reasonable chance of winning without prohibitive cost.

Throughout their history they have dickered and bargained and "negotiated." They are by no means convinced that nothing is to be gained by a continuation of that process. They are realists. They may or may not like what the Kremlin or Peiping is doing; they realize that they are both powers to be reckoned with. They are not prepared to pretend they do not exist or to go to war now to destroy them. They doubtless recognize the danger of a tight band of peoples extending from central Europe across Asia to the Pacific, from the Arctic to the tropics. But there it is, so they think, and there is no feasible way to destroy it. Some way has to be found to get along with it, and if such a way is found, it is conceivable, in their book at least, that it will lose some of its menace.

Most people in this country apparently are not prepared to have any part of such a philosophy. We "stand on principle." That is the basis largely for our differences

with Britain.

Continued from page 3

# Dark and Bright Sides of the **Bituminous Coal Industry**

domestic heating load rather than ing residual oil into New York dumped under boilers where coal Harbor. is normally used with such great efficiency merely to give a pipeline a better load factor.

I am convinced that the importation of residual oil must be limited by government action. There are only two major producers who are bringing this "bottom of the barrel" product into this country in volume and they are both very large and rich. I am sure they both realize that the bituminous coal industry is essential in this country and they also know that they are not extending our oil reserves by bringing in this residual but merely replacing coal under boilers at whatever dumped price is necessary to get the business. We must import crude but this "bottom of the barrel" product has only 5¢ a barrel import duty as opposed to 50¢ a barrel on gasoline. If we need to import oil products rather than crude why not bring in gasoline to compete with gasoline in this country and thus conserve our limited oil reserves rather than bring in residual with one-tenth the duty to compete with the coal industry?

#### Industry's Brighter Side

I have just given you the dark side of the coal industry but there is a brighter one and that is the enormous increase in the use of energy and in this eastern part of the United States where 90% of the coal is mined the producers of energy look primarily to coal for their raw material. This public utility production of energy has more than tripled since the end of the '30s compared to coal which has been just holding its own in that period and many forecasters are estimating that the demand for energy will double in the next 10 years and if it happens this will call for the use of 200 million tons of coal. There is no better barometer of our standard of living than the use of energy and I am sure we are going to continue to call on machines to do things for us and add to the use of energy in our homes. Therefore, the bituminous coal industry is really a producer of energy and may be considered in the energy business rather than in the coal business.

As the emphasis has changed to of coal Pennsylvania's coals which

I attended the annual stockholders meeting of the General Schenectady where they had erected an electric house, small but containing all sorts of electrical gadgets, including refrigerators set in the walls and a heat pump to furnish heat and air conditioning. This small house it was estimated would use some 23,000 kilowatt hours annually as ophousehold of 2,300 kilowatt hours. So here we see modern development at its best, as instead of coal coming into this house by wheelbarrow and thus failing to compete with natural gas, we find it coming in over a wire in a form the consumer wants it, and this particular home would use some 10 or 11 tons of coal as opposed to one-half that amount in the old fashioned job of just home heat-

In addition to this brighter side of the marketing possibilities for coal we also see that coal is doing a tremendous job of increasing its efficiency and thus reducing its cost to the public. We are selling coal today at the mine for 10% less than we did six years ago, although our labor rates and costs of supplies have gone up more than 30% in the same period. That is because our efficiency in mining coal as an industry has increased more rapidly in the last 10 years than has the efficiency in any other major industry. could also add that the possible future markets for chemical products from coal are enormous, but these possibilities are still embryonic as is the actual conversion of coal to oil, gasoline or gas. All of these can be done but it is not economic to think of them as long as they are in abundant supply in natural liquid or gaseous form.

#### Atomic Energy

Let me touch very briefly on the possibilities of atomic energy taking the place of energy created by more conventional fuels. Up to date the development of fissionable material has been a great consumer of energy. As a matter of fact, the whole atomic program will soon be using 10% of our energy rather than particular uses total energy in this country Therefore, the program has added have extraordinary qualities are to coal's markets and will connow no longer essential in the tinue to for the next decade or more modern plants which have two as we see by the example of been equipped to burn any kind of the Atomic Energy Commission's coal, so that a trend has been approval of the purchase of coal established towards the use of the as a source of energy for Power coal that can be produced cheap- Plants which are being built in est and in this regard Pennsyl- conjunction with the newest impress on the railroads that they been made for a longer period if of Investigation. are no longer hauling coal to the producers of the coal had been compete with coal carried by willing. While we will doubtless another railroad but rather they be creating large amounts of are transporting energy and are energy by atomic means 20 or 30 thus primarily competing with years from today it is our best Hornblower & Weeks, New York pipelines, the high tension trans- guess that the total demand for City, passed away of a heart atmission lines and tankers bring- energy will increase by a greater tack May 23, at the age of 66.

amount than that supplied by atomic means and, therefore, coall will also be creating far more energy than it is today.

Today the government is engaged in an intensive and expensive program of stockpiling many products, such as nickel, lead and copper, but if the emergency comes when these products will be needed we must also have the energy available to convert them. into the materials of war. This energy can only be created from. coal and therefore I point out that we must stockpile the ability to-mine coal rather than the coal itself, as it would be impractical. to store it in such enormous quantities. It takes five to ten years todevelop a new coal mine today and if we let the mines continue to close and the miners to drift away into other industry we may not have the ability to produce energy which is the most necessary war material of all.

To maintain a strong core of a coal industry able to meet any situation that may arise we must keep a few remaining markets for coal intact and to do so the importation of residual oil must be curbed and the use of natural gas: Electric Company last month at restricted to the higher uses such as home heating. The day after a war is declared the tankers carrying residual oil will disappear from the Atlantic and the pipelines will not be able to carry the additional load. Therefore, we must help coal through these serious competitive times so that it will be available to do the jobposed to the average use per again as it was in the last twoworld conflicts.

The great industrial development in Pennsylvania has been based on coal. If we will handle. the patient during this period when he is so sorely pressed with sufficient care and reason I amwilling to predict that Pennsylvania will enjoy an industrial rebirth in the not too distant future based again on its own coal and that of neighboring States.

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### **Elliot Lemon With** Olderman, Asbeck Co.

CLEVELAND, Ohio - Elliot B. Lemon, for the past 12 years a staff member of the Cleveland regional office of the Securities and

Exchange Commission, now a part of the Chicago office, joined the investment firm of Olderman, Asbeck & Co., Union Commerce Building, members of the Midwest Stock Exchange.

Mr. Lemon, who entered the securities



Elliot B. Lemon

business in Canton, Ohio in 1922, WIII De manager Fund Department of the Firm.

His association with the firm was previously reported in the "Chronicle" of May 20.

### Wm. Hartman Joins Ira Haupt Staff

Ira Haupt & Co., 111 Broadway New York City, members of the New York Stock Exchange, announced that William F. Hartman, has joined the firm in the Municipal Bond Department where he will specialize in underwriting and institutional sales. Prior to vania's coal has some disadvan- atomic project. These contracts are joining Ira Haupt & Co., Mr. Harttages. We have also tried to for 15 years but they could have man was with the Federal Bureau

#### Otis Glazebrook

Otis Glazebrook, partner in

# NEWS ABOUT BANKS AND BANKERS

CAPITALIZATIONS

Board of Directors of The National commercial bank under the title City Bank of New York, held on of Royal State Bank of New York May 25, Raymond G. Hill was was approved by the Banking Deappointed an Assistant Vice-Presi- partment of the State of New

Mr. Hill, who for many years has represented the Bank in various official capacities in the Far East and, more recently, as Manager of the Bank's branch in Singapore, will be associated with the Far Eastern District of the Overseas Division at Head Office in New York.

Barney Balaban, President of Paramount Pictures Corporation, has been elected a director of Manufacturers Trust Company, to New York, it was announced on May 25 by Horace C. Flanigan, President.

Mr. Balaban has been President of Paramount Pictures since 1936. which office he assumed shortly after the film company emerged from reorganization.

In 1943 Mr. Balaban presented to the Library of Congress the original manuscript of the Bill of Rights which is now on exhibition un that institution. In 1951, Mr. Balaban acquired Abraham Lincoln's first draft of the Emancipation Proclamation and presented banks. at to the New York Avenue Presbyterian Church in Washington, D. C., where Lincoln had worshipped during the critical days of President, of The Hartford-Conthe Civil War.

Manufacturers Trust Company, New York announced the opening on May 22, of its new "Holliswood" Office at 205-19 Hillside Avenue, corner of Francis Lewis Boulevard, Hollis, N. Y. John W. Bindner will be Manager of the new office, and George R. Wells, Assistant Manager.

The opening of this office of State and Federal authorities. forings the total number of Manufacturers Trust's offices to 111. Of commence operation as The Conthat total 15 are in Queens necticut Bank and Trust Com-County.

Alfred Brittain, III, has been promoted to the post of Assistant Company, New York, it has been announced by S. Sloan Colt, Presi- combined surplus of \$9 million,

Mr. Brittain is associated with the Far West District in the Banking Department. He was previousby Assistant Treasurer, having been elected to that position in

Volume 1, No. 1 of the "East River Log" made its debut when the 106th birthday of the East River Savings Bank, New York, Eished now and then, the "Log" lated for the eventual location and crease the company's surplus ac-N. Y. was celebrated. To be pubmeasures 31/2" x 51/2

In celebration of the Bank's main office. Birthday, the first issue of the That was a natural tie-in with the 20" birthday "cake," built entirely of carnations, green ribbons say- in excess of \$3,500,000. ing "106" in glitter figures, with for girls in the bank.

staff, and in personal mail.

A "Plan of Conversion" of Royal is anticipated that the new stock sence.

At the regular meeting of the Industrial Bank, New York into a York effective June 1.

> The Dime Club, composed of 600 officers and employees of The Dime Savings Bank of Brooklyn, N. Y., has elected the following

Richard E. Nelson, President; Francis J. Kenna, Vice-President; Elin M. Mossbacker, Secretary; and Winsted. and Howard W. Pollock, Treas-

The Dime Club was organized in 1933 by a group of employees further social relationships among members of the Bank's personnel. The club sponsors numerous social and athletic events each year and engages in several charitable activities, chief of which is distribution of toys to Brooklyn orphanages and children's hospitals each Christmas.

Trustees of The Hartford-Connecticut Trust Company, Hartford, Conn. and directors of Phoenix State Bank & Trust Company, Ohio Citizens Trust Company, Hartford, Conn. have approved a proposed merger of the two

This announcement was made jointly by John B. Byrne, Chairman, and Lester D. Shippee, necticut Trust Company, and Charles A. Lillie, Chairman, and Raymond C. Ball, President, of Phoenix State Bank & Trust Company, following affirmative action of their respective boards.

The proposed plan of merger will be submitted for approval by stockholders of each bank at their respective meetings to be held on June 15, 1954, subject to approval

The merged institution will pany, Hartford, Conn., on July 1,

Combined capital of the merging banks, based upon their latest Vice-President of Bankers Trust published reports as of April 15, 1954, amounts to \$8,300,000, with undivided profits of approximately \$5 million, resources of \$326 million and loans of \$119 million. Combined trust assets are in excess of \$400 million.

The consolidated institution will 1951. He joined the bank's staff, have approximately 1,000 officers in the credit department, in 1947, and employees and 21 offices, serving the Hartford area and 12 other communities in Central and Eastern Connecticut. It is proposed plus account. This amount, to- Club of the bank and presented to continue all present offices, including the main offices of both the sale of the new shares, over names and number of years of vestors Corp. of New York combanks until plans can be formuestablishment of a permanent count to \$1,500,000, and bring it

Terms of consolidation have "Log" showed a homespun sketch been determined on the basis of of a flowery birthday cake com- an independent appraisal of all polete with candles done in leaf assets and liabilities of both banks green on a mauve background, and complete analysis and comparison of their earnings. The Connecticut Bank and Trust Comof flowers which was wheeled on pany will commence operation the banking floor of each East with a capital of \$9,510,000, rep-River office along with baskets of resenting 380,400 shares of \$25 par

Stockholders of The Hartfordextra frills and garnet rosebuds Connecticut Trust Company will dent in charge of advertising for The "Log" will be distributed and stockholders of Phoenix State Company, Inc., is the Bank's adto depositors and friends of the Bank & Trust Company will re- vertising agency. The award was Company, Bradenton, Fla., has East River by tellers, new account ceive one and one-twentieth accepted for the bank by William converted into a national bank

will be placed on a \$3.00 dividend

Lester A. Shippee will become Chairman of the Board and the active head of the Bank. Raymond Ball will become President; John B. Byrne will continue in the active management as Chairand Charles A. Lillie will continue in an active capacity as Honorary Chairman of the Board. of both banks as well as members of the advisory council of Phoenix State Bank & Trust Company will serve either as members or honorary members of the Board of Directors of the merged Bank.

The consolidated Bank will be a well integrated institution, serv- ceeded by any other association. ing Greater Hartford, Newington, West Hartford, Wethersfield, new officers for the coming year: Danielson, East Hampton, Meriden, Middletown, Moosup, Norwich, Rockville, Stafford Springs

> The National Metropolitan Bank of Washington, D. C. in celebration of its 140th anniversary has issued a very interesting historical booklet. The Bank was organized of Bank of the Metropolis, Washington, D. C. and on March 24. 1865 changed its name to its present title. The booklet contains many pictures and facts showing the main events and happenings in the growth and progress of the

The Board of Directors of The Toledo, Ohio at its meeting on May 19 took action which will increase the Bank's outstanding capital stock from 50,000 to 75,-000 shares and its capital account from \$1,000,000 to \$1,500,000. The shareholders had approved the increase in the number of authorized shares at a special meeting held in February.

Under the plan approved by the Directors, of the 25,000 additional \$20 par value shares authorized at the February shareholders' meeting, 5,000 shares are being distributed as a dividend to shareholders of record at the close of business on May 24, 1954, on a 1-for-10 basis. The remaining 20,000 additional shares of the par value of \$20 each are to be offered ratably to the Company's shareholders of record at the close of business on May 24, 1954, at a price of \$30 per share, subscriptions for such new shares being on the basis of 2 for 5. The subscription warrants mailed to shareholders on May 24, 1954, will be transferable but will in any event expire on June 23, 1954.

In addition to the 10% share dividend payable June 1, 1954, the Directors declared a cash dividend of 35c per share payable the same date to shareholders of record May 24, 1954.

In other actions, the Directors authorized the transfer of \$300,000 from undivided profits to the sur- were inducted into the 25-Year above its par value, will inequal to its new capital stock.

Harris Trust and Savings Bank. Chicago, Ill. was presented with the 1954 CFAC Award for the outstanding national or regional institutional newspaper advertising campaign at the 12th annual awards competition dinner of the Chicago Federated Advertising Club. Over 800 entries were subcolorful candies for depositors. All value. It will have a surplus of mitted to this year's competition, staff members were boutonnieres \$9,510,000 and undivided profits the largest sponsored by CFAC to date.

Robert Lindquist is Vice-Presireceive one and one-fifth shares the Harris Bank, and Leo Burnett shares of stock in the merged N. Flory, Manager of business debank for each share now held. It velopment, in Mr. Lindquist's ab-

The awards dinner, held on May CFAC awards committee.

The National Bank of Seneca, man of the Executive Committee, Kan. with common capital stock of \$50,000 went into voluntary liquidation and was absorbed by on May 8.

> The First National Bank of Delphos, Delphos, Kan., with common Banking, capital stock of \$25,000 went into voluntary liquidation on April 27 and was not absorbed or suc-

The Board of Directors of First National Bank in St. Louis, Missouri has elected Kenneth Baker and Elmer A. Tabbert Vice-Presidents of the Bank, it was announced by William A. McDonnell, President.

Mr. Baker has been placed in charge of the Bank's instalment loan department, and Mr. Tabbert, who had previously been assigned officer.

Mr. Baker has been a special representative of First National's instalment loan department since August, 1952. In 1938, he joined the instalment loan department of Mississippi Valley Trust Company, St. Louis, Missouri and remained with that institution and its successor, the Mercantile Trust Company, St. Louis, Missouri, until shortly before he became associated with First National.

First National Bank in St. Louis and its forerunner, the Third National Bank, St. Louis, Missouri since 1917, was made an Assistant Vice-President and territorial officer in 1950, representing the Bank in Illinois. Indiana and Kentucky. Prior to that time, he was manager of the Bank's credit department.

Two staff members of First National Bank in St. Louis, Mo. were honored for completing 50 years of service at the annual dinner of the Bank's 25-Year Club held recently.

The 50-year veterans were Miss Genevieve McAuliffe, telephone operator who began her banking career with the Mechanics-American National Bank, St. Louis, Mo., which later became part of First National, and William C. Stauss, Assistant Cashier, who started in banking with the Third National Bank, St. Louis, Mo. which was the establishment of the Eureka merged into First National in office and the opening of a fifth 1919.

Both Miss McAuliffe and Mr. Stauss were presented with en- and O Streets in the capital city. graved gold wrist watches by William A. McDonnell, President of the Bank.

At the dinner, 11 staff members service engraved on the base. The 11 were: Willmer A. Allen, Note per share. Teller: Celeste C. Keeve, Audit-Loan; Hulda R. Kowert, F. H. A.; Louis Lopez, General Books; Joseph Orlando, Special Representative; Roland J. Reisel, Bookkeeping; Lester W. Schreier, properties and mortgages. Bookkeeping; Milton O. Spies, General Books; Louis E. Straub, Jr., Assistant Cashier and Isabelle Vassier, Personnel.

The Atlantic National Bank of Jacksonville, Fla., increased its common capital stock from \$3,000,000 to \$4,000,000 by a stock dividend effective May 12.

Manatee River Bank and Trust properties. under the title of Manatee River effective May 13.

Gus Bowman, Dallas banker 20, was presided over by A. J. and civic leader, has been elected Cusick, President of CFAC. The President of Love Field State awards were presented by Robert Bank, Dallas, Texas effective B. Johnson, Chairman of the June 1, according to Wm. A. Blakley, Chairman of the Board of Directors.

Mr. Bowman was formerly a Vice-President of the Mercantile National Bank in Dallas, Texas, where he began his banking ca-The Citizens State Bank of Sene- reer as a bank messenger 34 years All present trustees and directors ca, Kan. at the close of business ago. During this time he served in most departments of the bank. He is a past President of the Dallas Chapter, American Institute of

Mr. Blakley, founder and formerly President of Love Field State Bank, declared that the election of Mr. Bowman is another step in the bank's expansion program.

The next phase of the Love Field State Bank's expansion will be the erection of a new, ultramodern bank and office building now in the planning stage, Mr. Blakley said.

A completely independentlyowned bank, the Love Field Bank was established in 1945 by Mr. Blakley as the controlling stockon Jan. 11, 1814 under the name to territorial duties is now a loan holder, and ownership will remain essentially unchanged.

> A charter was issued on May 7 to the MacGregor Park National Bank of Houston, Houston, Texas, by the Office of the Comptroller of the Currency. The bank has a capital of \$300,000 and a surplus of \$200,000. C. B. Carter, Jr., is President and John A. Beck Cashier.

The Anglo California National Mr. Tabbert, who has been with Bank of San Francisco, Calif., will open an office in the new Stanford shopping center to be developed on Stanford University property west of El Camino Real at Palo Alto, it was announced on May 20 by Paul E. Hoover, President of the bank. The new office will be Anglo's second in the Palo Alto area.

It is expected that the Anglo office will open sometime in 1955, Mr. Hoover said. Permission to establish the office has already been granted by the Comptroller of the Currency.

Announcement of the Stanford shopping center office follows closely on the recent announcement that Anglo Bank will establish an office in Eureka through merger with the Bank of Eureka, Eureka, Calif., ratification of which by the shareholders now pending. The Stanford office will be Anglo's 38 in Northern and Central California, after office in the Sacramento area now under construction at 21st

### **Mutual Investors** Stock at \$1 a Share

Greenfield & Co., Inc. are offergether with that received from with desk pen sets with their ing 298,000 shares of Mutual Inmon stock (par 10 cents) at \$1

> Net proceeds from the sale of ing; Joseph E. Kolb, Personal the common stock will be added to the company's working capital and used to expand the corporation's portfolio of real estate

Mutual Investors Corp. of New York, was organized on Dec. 23, 1953, as successor to a 13 year old mortgage and real estate placement business previously conducted by its President, Sidney Lott. Mutual Investors Corporation is engaged in the purchase and resale of mortgages and

Upon completion of the financing the company will have out-National Bank of Bradenton, Fla., standing 748,000 shares of common stock.

Continued from first page

# Has the Bottom of the Recession Been Reached?

been reached, and in the fourth place, I wish to discuss briefly certain lessons of the recession and certain aspects of the business outlook over the intermediate-term.

#### Evidence that the Decline in **Business Is Flattening Out**

Evidence that the recession has been flattening out is now so abundant that this conclusion must be accepted as established. As I said a moment ago, the bottom may be behind us. Evidence that the decline has been flattening out is provided by the index of industrial production, by new orders of manufacturers, by personal incomes before taxes, and by retail sales.

During the three months from January to April the drop in the index of industrial production (seasonally adjusted) was less than half the drop in the preceding three months-3 points instead of 7. Between March and April the seasonally adjusted index showed no drop at all-the first month since last July in which no drop occurred.

The drop in personal incomes before taxes has been diminishing. Between October and November and between November and December the drop in the annual rate of personal incomes before taxes was \$1.3 billion; between December and January the drop was \$900 million; and between February and March, only \$200 million.

For two months new orders of manufacturers (seasonally adjusted) have been rising. This rise follows four months of steady drop. The rise of new orders between January and February and between February and March raised new orders (seasonally adjusted) to the highest level since last July. Unfilled orders of manufacturers are still dropping, February and March was the figures are seasonally adjusted.

the bottom of the recession has smallest drop between any two been reached, and in the fourth months since July, 1953. The May survey of the National Association of Purchasing Agents reports that more companies are increasing their orders and production than are decreasing them. The number of firms reporting decreases in orders is the smallest since last June.

Most interesting of all is the behavior of retail sales, because retailing has been one of the weak spots in the economy during the recession. April was the first month since last November in which retail sales (seasonally adjusted) showed an increase over the corresponding month of a year ago. The significance of the retail sales figures for April has been questioned on the ground that the seasonally adjusted figures do not correct for the fact that Easter came two weeks later in April this year than last. Undoubtedly the difference in the date of Easter is partly responsible for the favorable comparisons of retail sales figures this year as compared with last year, but it is not entirely responsible. This indicated by comparing the sales of durable consumer goods this year and last year, because the sales of such goods are not greatly affected by the date of Easter. Sales of durable consumer goods (seasonally adjusted) in April, 1954, were only \$194 million below April, 1953. In March, the drop below March, 1953, was \$441 million; in February, drop was \$559 million below February, 1953; and in January, it was \$564 million below January, 1953. The reduction in the tax on a few consumer durable goods on April 1 may have led to a modest postponement of buying to April, but this postponement was hardly sufficient to destroy the significance of the above

The accompanying table shows the month-to-month changes in but the fall of \$1.2 billion between several business indicators. All

	Drop in index of industrial production (points)	Personal income before taxes (billions)	New orders of manufacturers (billions)	Retail Sales (millions)
SeptOct.	1	+\$0.9	\$0.5	+\$58
OctNov.	3	- 1.3	- 0.6	+64
NovDec.	3	-1.3	-0.6	-172
DecJan.	1	-0.9	- 1.3	-340
JanFeb.	1	- 0.7	+ 0.3	+350
FebMar.	1	- 0.2	+ 1.0	-150
MarApr.	0			+472

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#### The Nature of the Business Recession—the Immediate Causes for the Drop in Demand

The nature of the business recession has been somewhat missolely an inventory adjustmentan adjustment from a shift in the accumulation of inventories to a reduction in inventories. The in-The basis for the view that the recession has been mainly an inventory adjustment is found in the fact that five-sixths of the drop in gross national product between the second quarter of 1953 and the first quarter of 1954 can be accounted for by a shift from accumulating inventories at the annual rate of \$6.3 billion to the reduction of inventories at the annual rate of \$4.8 billion. But the recession has been far more dividuals. Let us examine these 1.68.

ences.

(1) The efforts of business to reduce inventories. In the peak quarter of the boom, the second quarter of 1953, business was not understood. It has been quite selling as much as it was progenerally regarded as almost ducing. As a result, inventories were going up at the annual rate of \$6.3 billion. The additions to 1953 and March, 1953—a gain of inventories continued during the 2.3%. third quarter of 1953 at the anventory adjustment has been an nual rate of \$3.1 billion, despite important aspect of the recession, apparent efforts of business to cut them. The efforts of business to cut inventories are reflected in the drop in the new orders of manufacturers. These fell from a peak of \$25.9 billion (seasonally adjusted) in May, 1953, to \$22.3 billion by August, Incidentally, this drop in new orders was confined in the main to the durable goods industries, where new orders dropped \$2.6 billion between April and September in comparison with a drop of only \$429 milthan a mere inventory adjustment. dustries. By September, when Two other important influences inventories (seasonally adjusted) have reduced demand: cuts in reached a peak, the ratio of ingovernment spending and the cur- ventories to sales in manufacturtailment of retail buying by in- ing, wholesaling, and trade was

three principal depressing influ-

The ratio of inventories to sales in September was not particularly high, for the ratio had been 1.64 in 1952 as a monthly average and 1.61 in 1951, but the ratio in September was higher than businessmen cared to have it. A glance at the movement of new orders, unfilled orders, and inventories of manufacturers of durable goods and at the movement of sales and inventories among the retailers of durable goods (the two spots where the inventory problem was most serious) indicates plainly why businessmen were eager to cut inventories. All figures are seasonally adjusted except those for unfilled orders. In the case of manufacturers of durable goods the ratio of inventories to new orders rose from 2.0 February to 2.67 in September; in the case of retailers of durable goods the ratio of inventories to sales rose from 1.9 in February to 2.2 in September. Most important. of course, was the fact that inventories were rising while new orders and sales were falling.

#### Manufacturers of Durable Goods February July September

	1953	1953 —billion	1953
Inventories	\$24.8	\$26.4	\$27.0
New orders Unfil'ed orders	12.4 72.8	11.6 69.4	10.1 64.2
Retaile	rs of Du	rable Go	ods
1	February 1953	July 1953	September 1953

\$10.7 5.1 Inventories \$10.1 \$10.9 During the last quarter of 1953 inventories were reduced at the annual rate of \$3.0 billion, and in the first quarter of 1954 at the

billions

annual rate of \$4.8 billion. (2) The reduction in the purchases of goods and services by the Federal Government. A second important influence making for contraction has been a fairly large reduction in the purchase of goods and services by the Federal Government-from a rate of \$60.5 billion in the second quarter of 1953 to \$55.5 billion in the first quarter of 1954. National security expenditures (including international security and atomic energy) dropped by \$6.5 billion in this period, but the purchase of other goods and services by the Federal Government increased.

(3) The Decline in Retail Sales. third principal influence making for contraction has been the drop in retail trade. Retail sales reached a peak, on a seasonally adjusted basis, in February, 1953, when they were \$14.5 bil-There was virtually no change in the level of retail sales during the last five months of the boom between February, 1953 and July, 1953. After July, 1953 retail sales began to drop. They declined from \$14,469 million (seasonally adjusted) in July to \$13,-813 million in March, 1954, or about 4.5%. The behavior of retail sales exhibits several interesting characteristics that shed light on the nature of the recession. During the last five months of the boom when retail sales were not rising, personal incomes had a fairly substantial increase. They rose by an annual rate of \$6.5 billion between February,

The failure of retail sales to rise during the last five months of the boom while personal incomes were growing was a warning of trouble ahead. But the failure of sales to rise did not extend to all branches of retailing. Sales of non-durable goods (seasonally adjusted) had a modest rise between Febraury and July of last year. The failure of retail sales to grow during the closing months of the boom is attributable to a drop of nearly 3.8% in the sales (seasonally adjusted) of the durable goods stores. More than half of this drop was among the automotive stores.

After July, 1953, when personal incomes ceased to rise, retail sales began to drop. As I have pointed out, they fell from \$14,469 million (seasonally adjusted) in July, 1953 to \$13,813 million in March, 1954.

fact that personal incomes after taxes have held up quite well and in view of the additional fact that total expenditures on consumption have remained virtually changed. Retail sales (which include a small amount of non-consumption spending) account for about two-thirds of all personal consumption expenditures.1 Personal consumption expenditures as a whole, which were at the annual rate of \$230.4 billion in the second quarter of 1953 (the peak of the boom), were \$229.8 billion in the first quarter of 1954—a period in which retail sales dropped 3.9%. The drop in retail sales was concentrated among the durable goods stores where the decline between last July and March, 1954 was 6.5% in the seasonally adjusted sales in comparison with a drop of only 3.5% in sales of non-durable goods stores.

Decline in retail trade in durable goods was limited until the end of 1953 by the expansion of consumer credit. Since the beginning of the year, however, new borrowings have dropped, with the result that repayments of consumer credit have exceeded new borrowings. The excess of repayments over new borrowings has, of course, been a deflationary influence, limiting the demand for consumer goods in general. Between the end of December and the end of March, outstanding consumer credit dropped from \$28,896 million to \$27,151 million, or \$1,745 million. It is difficult to judge what part of this drop has been purely seasonal, but the drop has been far greater than the decrease in any previous year. Probably at least \$850 million is non-seasonal, which would indicate that short-term consumer indebtedness is being reduced at the rate of over \$3 billion a year. The following table shows the change outstanding consumer credit between December and March during the last seven

warie care	mai bever	i Jears.	
1947-48	+\$	123,000,000	
1948-49		718.000,000	
		280,000,000	
1950-51		677,000,000	
1951-52		859,000,000	
1952-53	+	119,000,000	
1953-54		745,000,000	

Incomplete figures for April indicate no change in consumer credit between March and April. On a seasonally adjusted basis, the incomplete April figures indicate that the excess of repayments over new borrowings has dropped substantially, but is still large.

#### The Nature of the Business Recession-Some Sustaining Influences

A shift from accumulating inventories at the rate of \$6.3 billion a year to reducing them at the rate of \$4.8 billion, aggravated by a cut of \$5.5 billion a year in the expenditures of the Federal Government for goods and services, and still further aggravated in retail sales, might be expected to bring about a large and cumulative contraction in production, employment, and incomes. No such large and cumulative reaction has occurred? The absence of a cumulative contraction is indicated by the fact that the total drop in production is little larger than the amount required by the shift from expanding inventories to cutting them. I have pointed out that about five-sixths of the drop in production is attributable to the change from increasing inventories to reducing them. Five principal sustaining influences which have prevented contraction from feeding on itself: (1) increases in spending by states and localities; (2) the well-sustained

1 Part of the non-consumption spending that is included in retail sales is the purchase of tools and equipment by farmers and by many small non-agricultural firms, most of them unincorporated and owner-operated. Part of the gasoline sold by filling stations is for business consumption, not personal consumption.

The drop in retail sales is particu- demand for plant and equipment larly interesting in view of the by industry; (3) the well-sustaindemand for housing; (4) the well-sustained demand for services; and (5) special influences limiting the drop in personal in-

(1) Increases in Spending by States and Localities. In the first quarter of 1954 states and localities were buying goods and services at the annual rate of \$27.0 billion (seasonally adjusted) in comparison with a rate of \$24.6 billion in the second quarter of 1953, the peak quarter of the boom. Numerous influences contribute to the growing expenditures of states and localities, and shall not take time to discuss them. Suffice it to say, that the states and localities have been increasing their expenditures for some time and are likely to continue to do so. For example, in the year 1952 their outlays for goods and services were at the annual rate of \$3.6 billion less than in the first quarter of 1954.

(2) The Well-Sustained Demand for Plant and Equipment by Industry. In the first quarter of 1954 the expenditures of nonagricultral industries on plant and equipment were at the annual rate of \$28.04 billion (seasonally adjusted) — almost as large as these expenditures in the peak quarter of the boom when they were at the annual rate of \$28,48 billion, or the third quarter of 1953 when these outlays reached a peak of \$28.92 billion. There are several reasons for the well-sustained expenditures on plant and and equipment. One reason is that improvements in the art of management, and particularly the growing reliance of managements upon staff work, lead enterprises to develop long-range programs which they tend to carry out regardless of the immediate state of business. A second reason is that the substantial liquid resources which many enterprises accumulated during the Second World War increase the willingness of managements to go ahead with investment programs regardless of the immediate state of business. A third reason is that the rapid expansion of industrial research by business during recent years has built up a large backleg of cost-saving and product-improving ideas or inventions which managements would like to put into effect. Outlays of industry for technological research in 1953 were larger than its entire outlays in the decade of the thirties. Of course, the huge outlays in 1953 have not had time to produce commercial effects, but much of the large research expenditures of the last 10 years is today helping to sustain the demand for plant and equipment.

(3) The Well-Sustained Demand for Housing. The number of new housing starts (seasonally adjusted) has been rising with little interruption since last August. In April private housing starts were at the seasonally adjusted annual by a fairly substantial reduction rate of 1,159,000 in comparison with 962,000 last August, and in 1954, March. expenditures non-farm residences (seasonally adjusted) were \$1.081 million in comparison with \$979 million last July and \$956 million last August. The well-sustained demand for housing may well represent to some extent a demand which accumulated last year when mortgage money was tight. In the main, however, it probably represents a combination of influences which have been helping to keep the demand for residential building at around present levels for about four years. One of the most important of these influences is the possibility of buying a house for monthly payments no higher than monthly rentals. It should be kept in mind that the current and recent rates of residential construction are not particularly high in view (1) of the rate of household formation and (2) of the large number of old and poorly-equipped houses in the coun-

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try. The moderate rate of housing construction of recent years is attributable to high building costs. The purchasing power of a dollar spent on construction has fallen drastically in the last 25 years. For example, a dollar spent on construction today buys only as much as 40 cents would have purchased in 1929, whereas a dollar spent on the kind of consumers' goods included in the consumer goods price index will buy about as much as 64 cents would have purchased in 1929.

. (4) The Well-Sustained Demand for Services. Expenditures on services in the first quarter of 1954 were \$3.7 billion more as an annual rate than in the second quarter of 1953—the peak quarter of the boom. Services include a wide variety of things - rent, transportation fares, professional services, admissions to amusements. The tendency to spend more on services has been strong for some years and has apparently been too strong to be affected by the recession.

(5) Special Influences Limiting the Drop in Personal Incomes. In March, 1954, personal incomes before taxes were running about billion a year below July, The drop would have been moderately greater had there not been a rise of \$2.2 billion a year in social security benefits, veterans' payments, and other forms of transfer payments. The rise in pension payments and in unemployment compensation benefits has been particularly useful in limiting the tendency for unemplayment to produce drops in personal incomes. Of considerable importance too has been the cut in the Federal income tax last January. This cut has been partly offset by the rise in social security contributions by workers, but the net gain in the purchasing power of consumers from the in the personal income tax minus the rise in social security contributions is about \$2.3 billion a year. Hence, personal incomes after taxes in March, 1954 were only about \$2.4 billion a year below July, 1953 — a drop of less than 1%.

#### The Nature of the Recession-the Concentration of the Drop In Demand and In Employment

The net effect of the clash beween the powerful influences tending to depress demand and of the opposing influences tending to sustain demand has been to prevent much of the economy from experiencing recession and to confine the recession to a limited part of the economy. In other words, the economy cannot be truly said to have suffered a general contraction. In the main, the recession has been confined to the durable goods industries -though textiles and apparel have suffered substantial contrac-But construction and tion too. most of the services have continued to expand. It has been unusual for construction to expand in the face of a general contraction of business,

The concentration of the con- the traction in the durable-goods in- struction and housing; (3) the dustries is shown by the fact that recent rise in the new orders of most of the drop in sales and new manufacturers; and (4) the imorders between July, 1953 and provement in retail sales which March, 1954 has been in these manifested itself in April. It is industries. Of the drop of \$1.5 possible, of course, that demand billion (seasonally adjusted) in may rise so quickly and unexthe new orders of manufacturers, \$1.3 billion was experienced by the makers of durable goods; of the \$2.3 billion drop in sales of sort of thing often happens in the manufacturers, \$2.0 billion was experienced by makers of durable drop in the sales of retailers, alternational relations take a sudmost half (\$332 million) was in den turn for the worse. My rough centage drop in the sales of dur- than in the first quarter. able-goods stores was 6.5% and

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drop in factory employment bewas in the durable-goods indus-

#### Has the Bottom of the Recession Been Reached?

During the first quarter of 1954 the drop in inventories was at the annual rate of \$4.8 billion. This figure is a revised estimate, but it may be revised again. Let us assume that the actual reduction in inventories during the first quarter of 1954 turns out to be quite close to the revised estimate of \$4.8 billion a year. The total output of the economy will rise unless the difference in the reduction of inventories between the two quarters is offset by changes in the purchase of goods by government, business, foreigners, or consumers. Let us look first at the prospects for further reductions in inventories during the second quarter of 1954.

By the end of March total inventories in trade and manufacturing had been reduced \$2.0 billion below the peak level in September, 1953, or 2.4%.2 The ratio of inventories to sales, however, has not changed because sales have dropped as fast as inventories. At the end of Septemmanufacturers, wholesalers, retailers as a whole held \$1.68 of inventories for each \$1.00 of monthly sales, and at the end of March, \$1.71. The following table compares for different branches of industry the ratio of inventories to monthly sales at the end of September, 1953, and at the end of March, 1954:

	End of Sep. '53	End of Mar. '54
Manufacturing_	1.86	1.90
Durable	2.12	2.27
Non-durable	1.59	1.57
Wholesaling	1.29	1.29
Durable	2.05	2.02
Non-durable	.92	.95
Retailing	1.64	1.65
Durable	2.25	2.28
Non-durable	1.32	1.33

The fact that the inventorysales ratio has not changed appreciably since last September does not mean that the reduction of inventories must go on. As a matter of fact, inventories cannot be expected to decline relative to sales during periods when sales are dropping. The fact that the absolute size of inventories result. When inventories become cease to cut them further, even though they are not small relative

Four recent developments indicate that enterprises are not liketo attempt to reduce inventories in the second quarter as rapidly as in the first quarter. These four developments are (1) or not the bottom of the recesis apparently ceasing to drop; (2) of this year. continued strength pectedly that inventories are cut much more drastically than managers expect them to be cut. This early stages of revival. But a large and unexpected jump in degoods; and of the \$657 million mand is not likely unless our inthe sales of durable-goods stores guess is that the reduction in inand half in the sales of non- ventories in the second quarter durable goods stores, but the per- will be about \$2 billion a year less

This change alone would lead to in the sales of non-durable goods a rise of about \$2 billion a year

The drop in employment is al
2 Reference is to seasonally adjusted figures for inventories.

most entirely confined to manu- in the gross national product un- no drop in the index of whole- spent more than twice as much April, 1954 employment outside ventories is offset by smaller sales probably been some drop in prices of manufacturing and coal mining of goods. There may be a further which the index failed to catch. was about 800,000 larger than in drop in the volume of exports, April, 1953. About 70% of the but this drop is not likely to be large. Business plans to spend tween July, 1953 and April, 1954 almost as much on plant and equipment in the second quarter as in the first-the drop in the annual rate of these outlays between the two quarters is estimated at about \$500 million. The Federal government plans to continue to reduce both its total expenditures and its outlays for goods and service, and thus far has apparently been able to carry out its intentions. In April, 1954, total cash expenditures of the Federal government were \$5,303 million, or \$1,141 million below April, 1953. The drop in the purchase of goods and services by the Federal government will be offset to a limited extent by the rise in these purchases by the state and local governments. The total drop between the first and second quarters in the annual rate of purchases of goods and services by foreigners and by our government (Federal, state, and local) and in the expenditures on plant and equipment by business is likely to exceed \$2 billion a year. Hence, if the reduction of inventories goes on at a rate only \$2 billion less than in the first quarter, the total output of the economy will fall unless there is at least a small rise in total consumption expenditures. Is such a rise to be expected?

The answer to that question is, I think, "Yes." Thanks to the steadily rising expenditures for services, total consumption outlays have scarcely dropped since peak of the boom-in spite of the poor showing of retail trade. The April figures for retail sales, which show a slight gain over April, 1953, do not prove that retail trade has ceased to drop, but they strongly suggest that the decline in retail sales has at least greatly diminished and perhaps that it may have ceased. The May report on retail sales will be awaited with unusual interest. If the drop in retail sales diminishes and if expenditures on services continue to grow, personal consumption outlays in the second quarter will be somewhat higher than in the first quarter. A drop of about \$2 billion in the annual rate at which inventories are being reduced and a rise of, say, \$1.5 billion in the annual rate of personal consumption expenditures would more than offset the probable drop in the purhas been cut is the significant chases of goods and services by foreigners and the government fairly small, managements will and the purchase of plant and equipment by business. In that event, the total output of the cession such as the current one. economy in the second quarter of

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#### Some Lessons of the Recession And Some Aspects of the **Business Outlook Over** The Intermediate Term

The present (or recent) recession has interesting aspects that are worth noting because they shed light on future trends of the economy and on the problems of keeping the economy stable. One of the striking aspects of the recession has been the steadiness of prices. Recessions are usually accompanied by drops in prices. In the recession of 1949, for example, when the drop in total production was roughly the same as in the present recession, the index of cession, however, there has been As a matter of fact, industry has

The index in May, 1954 was slightly above May, 1953. The index of 22 sensitive commodities has risen from 88 in May, 1953 to around 92 to 93 in May, 1954.

In 1949, the principal cause for the decrease in the wholesale price index was the fall in the prices of farm products-though the index of non-farm products dropped from 153.3 in September, 1948 to about 145.0 a year later. In the present recession, there has been little movement of farm prices as a whole, but the index in May, 1954 was slightly higher than in May, 1953.

The failure of prices to drop during the current recession naturally prompts the question whether the old-fashioned recession with its drastic declines in prices is giving way to a new type of recession in which there is little movement of prices. It is, of course, too early to say. The drop in prices in the recent recession of 1949 was much less than in earlier recessions, such as 1937-38, or 1921. The failure of the index of prices to drop in the current recession is attributable in considerable measure to the accidental circumstance that from the beginning of 1952 until June, 1953 the wholesale price level of farm products dropped by 13%. In other words, the drop in farm prices came before the recession. Next time the drop in the prices of farm products may accompany the recession, as it did in 1949. Nevertheless, the fact that the current recession has been accompanied by no drop in prices reinforces the view that the longrun movement of the price level is upward.

This view receives additional reinforcement from the fact that the hourly earnings of workers in virtually all branches of industry have continued to rise slowly during the year in the face of rising unemployment. Wages will continue to rise because there are important negotiations ahead. The price of labor is determined funof the supply side of the market on wages. A high proportion of the workers in manufacturing, mining, construction, transportation, and public utilities is organized. As the agreements under which these men work expire, the men expect the agreements to be replaced with other agreements providing higher wages or better conditions. Hence, the high organization of labor tends to make wages rise right through a re-

A second striking aspect of the this year will turn out to be current recession has been the slightly larger than total output steadiness of expenditures for in the first quarter. The behavior non-agricultural plant and equipof retail trade in May and June ment. The steadiness of these 'Can we expect capital expendicession is obviously an inadequate basis for generalization. Nevertheless, I believe that the important changes in the determinants of capital expenditures which have helped to keep plant and equipment outlays steady in this recession will permanently tend to make capital outlays less sensitive to the ups and downs of business. Particularly imporwholesale prices decreased nearly tant are the growth of industrial 10% between August, 1948, the research and the growth of the high point, and August, 1949, and business staff. I have already the drop continued slowly after called attention to the enormous August, 1949. In the present re- increase in industrial research.

facturing and coal mining. In less the smaller reduction in in- sale prices - though there has on industrial research in the eight years beginning with 1946 as in all the previous history of the country. The expansion of industrial research is bound to go on because, up to now, it has developed on a large scale in only a few industries. Furthermore, it is inherently competitive, so that research in one enterprise forces research in other concerns.

The development of industrial research means that at all times many enterprises will have a backlog of unexecuted investment opportunities. It will usually be uneconomic for managements to postpone cost-saving expenditures simply because business at the moment happens to be contracting instead of rising. Furthermore, it will often be uneconomic for enterprises to delay bringing out new or improved products which research has created. In other words, the growth of research makes investment expenditures less sensitive to the cyclical ups and downs of business.

The rise of business staffs and of staff planning has the same effect. I have called attention on numerous occasions to the revolutionary change in business management represented by the rise of staff positions. Before 1900 there were very few staff positions in American industry. The unique characteristic of the work of staff executives is investiga-tion and planning. When policies are based upon staff work, they are bound to rest upon a broader foundation of fact and investigation than the policies made solely by line executives. Among other things, this means that policies based upon staff work tend to be based upon long-run considerations as well as short-run. But policies based upon long-run considerations tend to be executed more or less independently of business cycles. A carefully worked out long-run construction or expansion program is not likely to be curtailed very much simply because business turns down.

The next recession which this country experiences may not see business expenditures on plant damentally by conditions of sup- and equipment holding quite as ply and demand, but the rise of steadily as they have held in this strong unions increases the effect recession. Nevertheless, the tendency for research work and staff work to make plant and equipment expenditures less sensitive to the business cycle is a major change in the direction of greater economic stability.

At the same time that changes in the planning of investment expenditures are adding to the stability of the economy, the growth of consumer credit has been introducing new causes of instability. Indeed, one of the most interesting aspects of the present recession and the preceding boom has been the role played by fluctuations in consumer credit. Congress made a blunder in refusing to extend the authority of the will largely determine whether outlays prompts another question: Federal Reserve System over consumer credit in May, 1952. As a the fact that industrial production sion occurred in the first quarter tures to show a similar steadiresult, consumer credit expanded is apparently ceasing to drop; (2) of this year. past violent cyclical fluctuations and December, 1952. During the in expenditures on plant and same period in 1951, the growth equipment have been one of the was \$1.2 billion. The expansion characteristics of the business of consumer credit in 1952 came cycle. Dare one hope that from at a time when the Federal Govnow on business cycles will lose ernment was rapidly increasing this historic characteristic - the its expenditures (the cash outlays sharp up-and-down movement of of the Federal Government in capital expenditures? One re- December, 1952, were \$1.6 billion greater than in May in contrast to a rise of only \$467 million in the same period in 1951) and when gross private domestic investment was also increasing rapidly. Fortunately, the combination of these powerful inflationary influences did not produce a rise in the price level. Nevertheless, the rise in consumer credit came at a time when it could scarcely have been worse planned.

During the first six months or so of the current recession, consumer credit continued to expand

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# Has the Bottom of the Recession Been Reached?

healthy in itself, has been an imhas been sharply cutting its outis fortunate, as I have pointed out, that other sustaining or expansive influences, such as tax cuts and the well-sustained business outlimited the effects of contracting consumer credit and of falling expenditures by the Federal Government.

The country has been fortunate in avoiding an inflationary effect from the ill-timed expansion of consumer credit in 1952, and it has also been fortunate in avoiding serious consequences from the contraction of consumer credit greatest uncertainty is whether during the early months of 1954. It is plain, however, that consumer credit is now used so exto the problem of keeping the economy stable. The benefits of consumer credit are considerable -it increases the capacity of the economy to expand, and it has important sociological effects in enabling people of moderate incomes to acquire the kind of goods which only the well-to-do had previously been able to af-These important benefits of consumer credit, however, should not obscure the fact that arrangements are needed to limit to aggravate booms and reces-

Perhaps the most interesting question raised by the current recession is: "How wisely and effectively has the government attempted to limit the recession?" The record of the Federal Reserve System in combating both threatened inflation early last year and contraction during the last nine months seems to me to have been good, and I have no special comment to make on it. Congress made a significant contribution to mitigating the recession by reducing excise taxes by about a billion dollars a year on April first. But Congress did not go far enough — it should have added about \$2.5 billion a year instead of \$1 billion to consumer purchasing power by virtually wiping out all of the manufacturers' and retailers' excises.

It is the executive branch of the government which has shown a surprising lack of initiative and enterprise in fighting the recession. I do not know the reason. but I suspect that it is attributable to the influence of the Treasury which seems to be more interested in keeping the cash budget in balance than in limiting the drop in production and employment. Cerdence that a rise of two million in unemployment has aroused as much concern in the Administration as the possibility of a

slowly, thus helping to sustain in the cash budget rather than business. Since the first of the two million unnecessarily unemyear, however, the repayments of ployed. Spokesmen for the Adshort-term consumer debts have ministration have said several been running considerably above times that the Administration new borrowings. Hence, the con- would act if and when action is traction of consumer credit in the needed, but the level of unemearly months of 1954, though ployment which the Administration regards as justifying action, portant influence depressing the seems to be considerably higher volume of retail trade. Unfor- than the people of the country tunately, the contraction of con- will find tolerable. Hence, I besumer credit has come at a time lieve that this recession will go when the Federal Government down in history as one in which the people conclude that the Adlays for goods and services. It ministration failed to act with proper initiative and vigor in fighting contraction. Furthermore, I believe that the next time recession occurs, even though lays on plant and equipment, have it be as mild and as limited in scope as this one has been, the Administration in power, whether Republican or Democratic, will act more promptly and more vigorously than the present Administration has done,

I have time for only a few words on the intermediate business prospects-the prospects over the next four or five years. The or not the country will be able to make substantial cuts in its defense expenditures. I wish that tensively that it adds significantly I could believe that substantial cuts will be possible. The cuts that are now planned seem to be based upon ill-conceived conceptions of strategy. The Administration's announced policy of "mass retaliation" fits only a few special situations — though the ones that it does fit are important. The country needs a defense program which will enable it, in conjunction with its allies, to oppose effectively the "small-war" policy of the Communists. This necessity may prevent large adidtional cuts the tendency of consumer credit in defense spending. But if large cuts in defense spending are possible, large cuts in taxes will also be possible. In other words, a more peaceful and secure world will mean, not primarily a drop in the total demand for goods, but a shift of a substantial part of the demand from the government to individuals. That is another way of saying that a more peaceful and secure world will mean a higher standard of consumption for us all.

The principal reason why it is impossible for me to be anything but optimistic about the intermediate business outlook is the extraordinarily rapid growth of technological research. I have mentioned this growth several times. Research increases the demand for goods as well as the capacity for industry to make goods. It increases the demand for goods partly by raising investment opportunities and partly by increasing the variety of goods offered to consumers, thus raising the proportion of personal incomes spent for consumption. The age in which we are living may properly be called a research age. This research age is not very old. We are still in the earliest stages of its development. Most of the tainly it is not easy to find evi- research made by industry in the last eight years have not yet had time to produce economic effects. Unless these large research exdeficit in the cash budget. The penditures have been pretty com-Treasury overlooks the fact that pletely wasted, the economic conunemployment represents a kind sequences of these enormous exof deficit—a failure of the demand penditures will be tremendous. for labor to equal the supply. It is easy to make a persuasive ness quite clearly has shown signs This kind of deficit is entitled to case for expecting rapid economic of a very modest decline. The velopments expected later in the as much consideration as a defi- expansion in the years immedicit in the cash budget. Indeed, if ately ahead. I should hate, how-

goods is not likely to keep pace to support such a conclusion.

sion-namely, that the rate of ex- with our capacity to produce. I my opinion, faces a continuing pansion is likely to drop substan- do not know where I should find tially and that the demand for the evidence or the arguments

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# Business Outlook Encouraging, **But Challenging**

quirements; (2) the rate at which when several major industries, new families will be formed over such as steel, automobiles and the next few years can be expected to slow down moderately because of the low birth rate in the early 1930's; (3) although business expenditures for new plant and equipment should remain high and perhaps even set a new record this year, in my opinion the nation still faces a period of somewhat reduced capital outlays before longer-range demand trends catch up with greatly expanded postwar productive capacities in many lines of business; and (4) many adjustments in agricultural production to achieve better balance between output and consumption still have to be faced.

These developments are not unexpected, but have been well advertised for several years. They reflect the much predicted return to more "normal" competitive conditions after an extended period of abnormally high demand caused by heavy war and defense spending. It is far better the continuing economic health of the nation to make such adjustments in orderly fashionsuch as at present—than to adopt policies which only serve to posttrouble. In my view the American public in general understands and accepts the essential nature of these economic corrections to a much greater extent than many politically motivated observers would lead us to be-

Again let me stress that I am not predicting serious general economic trouble. What is projected is a continuing period of economic test--for a minimum of two years to perhaps as long as five years-leaving out, of course, any dislocations caused by another war.

The "interim period" started late last year. As a result, business as well as government now faces a continuing challenge to find sound means of bridging the moderate economic gap still

As we all know, many organizations already are following carefully laid plans to introduce new products, reduce costs and intensify merchandising methods in order to meet successfully the challenge of the "interim period." But there is definitely a rough road ahead for companies whose products are lagging in consumer preference and whose costs are not being held in check by improved methods and equipment,

How much time are you giving to planning the future of your business — i.e., products, equipment, finances, distribution, etc. -beyond the next few weeks or months? In my opinion, few businesses can count on record sales and high profits more or less huge expenditures on industrial automatically over the next few years. Success in the "interim" period will be "earned" by careful management planning to a greater extent than in many a

With this perspective toward longer-range economic developments, the immediate outlook may take on some new meaning. Over the past 6-9 months national busi- business. sellers' to buyers' markets across the "interim period" will be over

major appliances, found that "choosey" customers had replaced eager buyers. In recent months over-all buying has been well maintained, but the country has been "living off the shelf" to an unusual extent. Just as earlier inventory accumulation provided an obvious stimulus to production and employment, recent and current inventory liquidation has an opposite depressing effect.

Thus far 1954 has been marked other developments which have also served to restrain shortterm business activity; for example, accelerated corporate tax payments under the Mills Plan, the sharp drop in government expenditures for defense, the uncertainty surrounding government tax and other legislative programs, as well as the adverse impact on consumer buying because of some rise in unemployment.

Again, let us keep our perspective. The over-all decline has been small—about 3% in gross national product, and less than 1% after-tax personal income. majority of families across the nation have been virtually untouched by the over-all adjustpone and accumulate economic ment in business, at least as measured by after-tax income. The adverse impact on income has been heaviest in certain farm communities and among industrial workers with limited tenure or workers previously employed in industries or plants which have ceased to be competitive.

#### The Challenge to Business Management

The principal task confronting business managements now and for some time to come must be to find ways to stimulate more consumer buying. The evidence seems quite strong that buying can be well maintained, for consumers generally have the purchasing power. They must now be given greater inducements to buy

The keynote of the interim period thus becomes a challenge to business managements to find means of capitalizing fully upon the tremendous buying potential which exists currently and which will continue to exist despite many economic cross-currents

Looking to the remainder of the year, relatively little further decline is in prospect. There is a strong probability of a moderate upturn in general economic actry obviously would be improved Sutro & Co. merely if the factors which have depressed business in months became neutral. This is indeed a reasonable prospect. The worst of the general inventory correction already seems to have been completed, and further liquidation in stocks of metals and metal products promises to come to an end by the close of the third quarter. The delayed impact of Federal tax cuts should also be evident in the fall. Government expenditures in the second half, moreover, will be much higher than receipts, with some resultant stimulating effect upon general

These encouraging economic dea deficit of two or three billion for arguing the opposite conclu- finally reached the end of the line sion very much. The nation, in and Bache & Co.

"test" for the next few years. Therefore, whatever "recovery" occurs in the months just ahead, in my view, should not be accepted as the end to general postwar adjustments and the beginning of a new era of expansion and further boom.

Again I make my plea for perspective. In recent weeks there have been many indications of renewed business confidence, which was noticeably depressed at the beginning of the year. There are now even some signs of speculation-a dangerous force-which fortunately has been largely absent during recent years of high economic activity. Developments in the commodity markets, in security markets, and recent firming tendencies in prices of raw materials may be setting the stage for a new short-lived wave of inflation.

In forecasting our principal interest naturally is in predicting what will happen, but at best we can only indicate the "most probable" developments ahead. Hence, if we are realistic, we should also be concerned about what could happen. In this connection, I want to point out a chain of possible events which could materially alter the outlook for the economy your business. Visualize a levelling or moderate upturn in general business activity in the fall (for the reasons given earlier) plus renewal of the Indo-China war on a somewhat greater scale at the end of the monsoon rains, A further upsurge in confidence supported by growing opinion that the business cycle "problem" has been "solved" could conceivably touch off a burst of speculation devoid of a sound economic base. The outcome, I assure you, would be a swift contraction - much more severe than the moderate adjustment which the nation has experienced in recent months, Here is a situation which will bear watching in business and government circles and which could call for very different short-term policies than now generally contemplated.

In summary, the business outlook this year can only have real meaning to the extent that attention is focused on longer-term underlying trends rather than primarily upon very current developments. The general outlook -short- as well as long-run-continues to be encouraging but, I must add, challenging as well. I'm personally convinced that American business represented here today can meet the test of the "interim period" and move forward to a new period of fundamental economic expansion which now looms on the not too distant

#### With Jamieson Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.-Robert C. Parks has become affiliated tivity before the end of the year. with Jamieson and Company, Russ Economic conditions in the coun- Building. He was previously with

#### Witter Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.-Girard S. Brewer, Jr. has become con-nected with Dean Witter & Co., 632 South Spring Street.

### With Victor Lawson Co.

(Special to THE FINANCIAL CHRONICLE)

CORAL GABLES, Fla.-Blanchard H. Phillips has become affiliated with Victor J. Lawson & Company, First National Bank

#### Joins F. I. du Pont

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Estelle Alexander succession of adjustments from year may lead you to believe that has become associated with Francis I. du Pont & Co., 121 Southeast Second Avenue. Miss Alexander one must choose, I would accept ever, to have the responsibility industry which began in 1951 very soon. I doubt such a conclu- was formerly with Oakes & Co.

# Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

AMERICAN IRON AND STEEL INSTITUTE:	Latest Week	Previous Week	Month Ago	Year Ago	III bwo weens	Latest Month	Previous Month	Year Ago
Indicated steel operations (percent of capacity) May 30 Equivalent to—Steel ingots and castings (net tons) May 30	§70.5 §1,680,000	*71.8 *1,712,000	68.7 1,637,000	2,262,000 B	BRADSTREET, INC.—215 CITIES—Month of April:			
AMERICAN PETROLEUM INSTITUTE: Crude oil and condensate output—daily average (bbls. of	2,000,000	2,123,000	-,00-,000	2,202,000	New England		\$23,411,307 128,191,656	\$21,111, <b>893</b> 96,86 <b>9.051</b>
42 gallons each) May 15 Crude runs to stills—daily average (bbls.) May 15	6,428,250 17,020,000	6,422,400 *6,811,000	6,589,950 6,915,000	6,359,200 6,884,000	South AtlanticEast Central	43 536 082	46,453,570	56,063,620 131,953,233
Gasoline output (bbls.) May 15 Kerosene output (bbls.) May 15	24,050,000 2,019,000	22,660,000 1,872,000	23,598,000 2,119,000	22,477,000 2,442,000	West Central	71,770,239 36,676,458	76,275,782 41,116,159	87,811,374 40,631,732
Distiliate fuel oil output (bbls.) May 15 Residual fuel oil output (bbls.) May 15	8,953,000 8,136,000	9,557,000 8,015,000	9,881,000 8,454,000	9,156,000 8,666,000	Mountain	13,318,867 79,781,772	15,367,414 82,284,930	16,983,654 78,549,857
Stocks at refineries, bulk terminals, in transit, in pipe lines— Finished and unfinished gasoline (bbls.) atMay 15	175,750,000	175,874,000	178,923,000	153,993,000	Total United States New York City	\$484,376,230		
Kerosene (bbls.) at May 15 Distillate fuel oil (bbls.) at May 15	21,590,000 65,531,000	20,210,000 63,939,000	17,527,000 57,034,000	20,864,000 64,682,000	Outside New York City	55,063,895	99,045,726	50,678,096
Residual fuel oil (bbls.) at		44,668,000	43,265,000	40,258,000	BUSINESS INCORPORATIONS (NEW) IN THE	9 123,012,000	\$100,310,023 \$	117,230,318
Revenue freight loaded (number of cars) May 15 Revenue freight received from connections (no. of cars) May 15	677,581 589,402	647,954 588,414	612,884 572,808	779,805 664,601	UNITED STATES—DUN & BRADSTREET, INC.—Month of April	10,272	10,514	9,507
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					COMMERCIAL PAPER OUTSTANDING—FED- ERAL RESERVE BANK OF NEW YORK—			
Total U. S. construction May 20 Private construction May 20		\$344,045,000 200,358,000	\$247,952,000 152,653,000	\$257,642,000 155,167,000	As of April 30 (000's omitted)	\$672,000	\$720,000	\$464,000
Public construction May 26 State and municipal May 26	102,937,000	143,687,000 109,021,000	95,299,000 75,933,000	102,475,000 88,324,006	COPPER INSTITUTE—For month of April: Copper production in U. S. A.— Crude (tons of 2,000 pounds)	77,063	*81.100	95,890
FederalMay 20 COAL OUTPUT (U. S. BUREAU OF MINES):		34,666,000	19,366,000	14,151,000	Refined (tons of 2,000 pounds) Deliveries to fabricators—	112,617	117,546	112,660
Bituminous coal and lignite (tons) May 1: Pennsylvania anthracite (tons) May 1:		6,775,000 426,000	6,690,000 479,000	9,109,000	In U. S. A. (tons of 2,000 pounds) Refined copper stocks at end of period (tons	104,829	95,795	142,282
DEPARTMENT STORE SALES INDEX-FEDERAL RESERVE				614,000	of 2,000 pounds)	124,523	125,759	48,382
SYSTEM-1947-49 AVERAGE == 100May 1: EDISON ELECTRIC INSTITUTE:	97	123	118	105	MERCE—RUNNING BALES: Lint—Consumed months of April	660.209	845,036	909,240
Electric output (in 000 kwh.) May 2:  FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN &	8,373,000	8,380,000	8,257,000	8,013,000	In consuming establishments as of May 1 In public storage as of May 1	1,728,497 9,727,732	1,806,301 10,522,907	1,869,231 5,536,648
BRADSTREET, INCMay 2	248	248	229	156	Stocks May 1	105,255 1,590,188	99,152 1,528,541	127,705 1,129,435
IRON AGE COMPOSITE PRICES: Finished steel (per lb.)		4.634c	4.634c	4.390c	Cotton spindles active as of May 1	19,457,000	19,626,000	19,970,000
Bcrap steel (per gross ton) May 1		\$56.59 \$27.58	\$56.59 <b>\$25.67</b>	\$55.26 \$38.17	DEPARTMENT STORE SALES (FEDERAL RE- SERVE SYSTEM—1947-49 Average 100)— Month of April:			
METAL PRICES (E. & M. J. QUOTATIONS): Electrolytic copper—					Adjusted for seasonal variations Without seasonal adjustment	107 106	*105 *89	110 104
Domestic refinery at May 1 Export refinery at May 1	9 29.675c	29.700c 29.625c	29.700c 29.700c	23.0000	DEPARTMENT STORE SALES-SECOND FED-	200	0.0	203
Straits tin (New York) at May 1 Lead (New York) at May 1	9 93.750c 9 14.000c	93.500c 14.000c	97.000c 14.000c	100.000c 13.000c	RESERVE BANK OF N. Y. — 1947-1949 Average 100—Month of April:			
Lead (St. Louis) at May 1 Zinc (East St. Louis) at May 1		13.800c 10.250c	13.800c 10.250c	12.800c 11.000c	Sales (average monthly), unadjusted Sales (average daily), unadjusted	103 101	90 85	97 95
WOODY'S BOND PRICES DAILY AVERAGES: U. S. Government Bonds		99.33	100.57	91.93	Sales (average daily), seasonally adjusted Stocks, unadjusted	102 118	99 116	102 •121
Average corporate May 2 Aaa May 2 Aa May 2	5 115.24	110.70 115.63	110.88 115.82	103.30 106.92	Stocks, seasonally adjusted.	113	111	*115
Baa May	5 110.34	112.56 110.52 104.66	112.93 110.34 104.66	105.34 102.30 99.20	EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of February:			
Railroad Group May Public Utilities Group May	5 109.24	109.24 110.70	109.60 110.88	101.64 102.63	All manufacturing (production workers) Durable goods			
Industrials Group May:	25 111.62	112.19	112.19	105.86	Non-durable goods Employment Indexes (1947-49 Avge.=100)	5.308.000		
U. S. Government BondsMay	10 0 14	2.55	2.45	3.09	All manufacturing Payroll Indexes (1947-49 Average 100)	102.5	•103.4	111.0
Ass ———————————————————————————————————	25 2.88	3.13 2.87 3.03	3.12 2.86 3.01	3.55 3.34 3.43	All manufacturing  Estimated number of employees in manufac-	137.3	•138,6	149.3
Baa	25 3.15	3.14 3.47	3.15	3.61 3.80	turing industries— All manufacturing	16,034,000		
Railroad Group	25 3.20	3.21 3.13	3.19	3.65 3.59	Durable goods	9,287,000 6,747,000		
Industrials Group May May MOODY'S COMMODITY INDEX May		3.05 439.1	3.05 438.6	3.40 416.3	FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE—U. S. DEPT. OF			
NATIONAL PAPERBOARD ASSOCIATION: Orders received (tons)					LABOR-Month of April: Weekly earnings-			200.00
Percentage of activity	15 252,436	298,213 237,514 87	209,612 242,332 91	204,133 251,473 96	All manufacturing Durable goods	75.43	•76.00	77.56
Untilled orders (tons) at end of period	15 417,905	429,184	378,774		***			
8TOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-	21 108.13	108.34	109.50	106.52	All manufacturing Durable goods Non-durable goods	39.7	40.0	41.7
LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					Hourly earnings— All manufacturing			
Odd-lot sales by dealers (customers' purchases) †— Number of shares	8 1.038.600	1.090.970	999.957	746,831	Durable goods Non-durable goods	1.90		
Odd-lot purchases by dealers (customers' sales) †		\$52,036,873	\$45,365,898	\$33,993,771	LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS — INSTITUTE OF LIFE			
Number of shares—Total sales————May Customers' short sales—————May	8 8,614	1,110,720 8,162	1,005,027 6,306	4,700	INSURANCE—Month of March: Death benefits	\$196,916,000	\$163,906,000	\$182,781,000
Customers' other sales May Dollar value May Round-lot sales by dealers—		1,102,558 \$50,707,069	998,721 \$42,782,365		Matured endowments Disability payments	10,241,000	0 40,856,000 0 8,573,000	9,479,000
Number of shares—Total sales—————May Short sales ————————————————————————————————————	0	358,470	316,220	160,790	Management 1 management of the contract of the	79,293,000	0 62,825,000	63,630,000
Other sales May Round-lot purchases by dealers—		358,470	316,220	160,790	Policy dividends			\$410,421,000
Number of shares	8 343,340	355,060	316,910	315,680	SELECTED INCOME ITEMS OF U. S. CLASS BYS. (Interstate Commerce Commission)	1		
EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					Month of February: Net railway operating income		3 \$32,574,078	\$ \$77,797,464
Total Round-lot sales— Short sales — May			456,670		Other income	16,837,69	3 25,120,862	18,969,560
Total salesMay	1 12,071,290		10,772,160 11,228,830	6,461,170	Miscellaneous deductions from income	3,419,10	0 3,711,243 6 53,983,697	3,813, <b>937</b> 7 92, <b>053,<b>087</b></b>
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEM- BERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					Income after fixed charges Other deductions	24,336,15 2,791,09	5 20,422,930 4 2,829,257	58,742,064 2,800,627
Transactions of specialists in stocks in which registered— Total purchasesMay	1 1,272,230	1,138,740			Net income Depreciation (way & structure & equipment	21,545,06 43,638,54	17,593,673 43,142,484	4 40,593,960
Other salesMay	1 245,820 1 1,077,430	227,530 890,610	249,650 896,940	146,590 576,630	Federal income taxes Dividend appropriations:	19,254,34		
Other transactions initiated on the floor—	1 1,323,250	1,113,140	1,146,590		On preferred stock	19,522,44	9,465,284	4 18,893,363
Total purchasesMaj	1 31,000	24,600	30,600	20,900	U. S. GOVT. STATUTORY DEBT LIMITATIO		73 1.61	4.10
Other sales Maj Total sales Maj Other transactions initiated off the floor—					Total face amount that may be outstandin	9	00 0000 000 00	0 8075 000 004
Other transactions initiated off the Hoor— Total purchases Short salesMa:	1 437,660 1 55,050				Outstanding		94 270,235,360	
Other salesMa; Total salesMa	1 401,130	381,365	520,598	321,531	Guaranteed obligations not owned by th	e		
Total round-lot transactions for account of members— Total purchasesMay				1,130,810	Total gross public debt and guarantee	-d		
Short salesMa	1 331,870 1 1,854,340	293,880 1,582,285	314,100 1,760,088	0 250,050 8 1,058,083	obligations Deduct—other outstanding public debt obl	\$271,126,62	20 \$270,312,45	
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF			2,074,188	8 1,308,13	gations not subject to debt limitation	554,61	13 555,95	term of the same o
LABOR — (1947-49 = 100); Commodity Group—					Grand total outstanding  Balance face amount of obligations, issuab	le	06 \$269,756,50	
All commodities Ma Parm products Ma	y 13 100."	7 99.0	101.	1 98.	under above authority	4,427,99	93 <b>5,243,49</b>	7 10,963,291
a man promise recommendation of the commendation of the commendati	y 13 107.	6 *106.8			GUARANTEED (000's omitted):			- 4004 648 18
Processed foods Ma	v 18 101.				as of white some and a second	\$271,126,6	20 \$270,312,45	5 \$209,093,18
Processed foodsMa	y 18 101.5 y 18 114.	4 114.4	114.	6 113.0	6 General fund balance	4,787,00	69 6,354,53	3,561,664

## The Mortgage Business At the Crossroads

tions of the country where they whether the United States Treasare in abundance to other sections where they are needed. The mutual savings banks offer a good example of this freer movement of funds. I am sure my company is today lending in territories far removed from its home office which we would not have considered had it not been for the FHA. Usually, when we establish such a connection to acquire FHA loans, the relationship soon broadens to include conventional loans and we have been able to greatly diversify our mortgage portfolio as to location because of the FHA system.

Most investors have confidence in the appraisal systems of the FHA and its underwriting techniques. I have the feeling that most of the FHA offices are anxfous to do a good job of appraising and underwriting and the fact the investor knows that certain fundamental standards are set up to guide the FHA in its operations throughout the entire nation gives the investor confidence in lending in territories where his personal knowledge is not as intimate as in his immediate territory.

Due to the insurance feature of the FHA system which represents a pooling of risks by investors, all of us have been permitted to make larger percentage loans which means a greater total investment for a fixed number of transactions than would have been too hopeful such statesmanship permitted under the usual state laws.

Many executives of mortgage lending institutions take the position the FHA represents the soundest type of cooperation by government with private industry and in a program which, because of its size and complexities and its nationwide adaptation, could not possibly have been worked out and operated by private lenders.

#### Problems Created for the Mortgage Business

So much for the favorable side of the picture. What are some of the problems being created for the mortgage business as a whole by governmental activity in this

I have been greatly disappointed to see the continued liberalization of the government loan plans. The Congressional debate on the original act creating the FHA made it clear there was to be a sound mortgage program operating within the framework of private investors under a system of insurance administered by the government. Loans were originally limited to 80% of value but later increased to 90% and then to 95%—and, in the case of VA, we have 100% loans. The FHA maximum term was first set at 20 years and then lengthened to 25 years and subsequently to 30 years.

No one will argue the point that these liberal steps weakened the Insurance program because we cannot expect 95%, 30 year loans to work out over a long period of years as satisfactorily as 80%, 20 year loans. I have the feeling these liberalizing steps were agreed upon based upon the record wherein foreclosures have been negligible but we must remember these government systems have not been put to a real

We have been on a steadily rising real estate market since the first loan was insured in 1934. A true appraisal of the FHA and VA must await the passage of a sufficient length of time to encompass both good times and bad and only then may we determine how a 95%, 30 year loan or a

ury will be called upon to fulfill its guaranty. The problem could particularly acute in connection with the large FHA rental cooperative projects involving big amounts concentrated in single developments and where, after foreclosure, prospective purchasers are limited and each is seeking a real bargain.

It is somewhat paradoxical that we have been liberalizing the government loan plans during periods of extremely high activity and during periods when we were using every weapon at our disposal to combat inflation. It seems to me we would now be in much better shape to fight any deflation if we had stuck with the original 80%, 20 year loan and could now give the market a "shot in the arm" by some liberalizing but reasonably sound amendments. But we have already liberalized to the point where nothing else within reason is possible. We are like the man who has taken dope so long he doesn't feel the effects of the next shot. Is it too much to ask that when we are again confronted with active markets and rising prices that we reduce the term of the loan and the loan percentage? This would require real statesmanship but it is the only way we could be ready to give a stimulant to the market the next time it is really needed. Frankly, I am not will be forthcoming because we operate in a democratic society where economic problems are not fully understood by the masses of the voters. To my mind, the continued liberalization of the FHA in all periods-both active times and times not so active-has created for us a situation which some day may actually threaten the financial soundness of the insurance program.

I am also disturbed by the prevailing conception-even in our present administration — that the FHA and VA are tools which should be used to stimulate our general economy-without regard to actual demand for housing and without regard to the laws of supply and demand as related to mortgage money. There are many people who feel the housing shortage has been met in some areas and that easy credit terms designed to artifically create a demand for additional housing could lead to an over-production which, in the long run, would be disastrous for property owners, lenders and the Government. I ask you-would it not be better to let the government agencies remain in the background and respond to actual effective demand rather than place these insurance programs in the forefront with orders to create demand at all costs?

The prevailing attitude is rewhere the President would be given authority to regulate interest rates on mortgages and establish loan percentages and terms. The inference is that this power would be used as a tool to influence the demand for and production of housing. The President's Advisory Committee recommended that interest rates on government guaranteed loans be regulated with only one single thought in mind-to keep these rates competitive with other forms of investment in order to be sure the mortgage market received its fair share of investment funds. You can readily detect a very fundamental difference in these two approaches.

so much of the current thinking sure your Congressman under--particularly in political circles is exemplified by FNMA. Its proponents argue that we need a secondary market just as the commercial banks have the Federal Reserve and the savings and loan associations have the Home Loan Banks. In both of those cases, the member institutions using these facilities do not sell loans to the facility and then forget them. They either repurchase discounted paper or repay a loan. A truly secondary market function is performed in those cases by smoothing out the peaks and valleys in the normal investment operations of the banks and savings and loan associations.

But such is not the caset with FNMA. If you are fortunate enough to sell it a mortgage, you wash your hands of it. You have no responsibility to repurchase it. To the extent FNMA uses Treasury funds, money has been created for the purpose of buying these mortgages which not only adds to the inflationary stream but places our government in the position of directly competing with the legitimate mortgage investors of the country.

To be a truly secondary facility, the agency must be designed to serve the fluctuating needs of the ultimate lenders. What lenders is FNMA designed to serve? I have mentioned that the commercial banks and savings and loan associations have their own secondary facilities. Life insurance companies, when needing such facilities, can and do use the commercial banks. The mutual savings banks. due to large holdings of cash and government bonds, can certainly work out their own temporary adjustments but, if they need secondary facilities, they are eligible for membership in the Home Loan Bank System.

We must inevitably come to the conclusion that those who want FNMA want a primary marketa place to dump loans which fail to meet the tests of the market place, which reflects a philosophy that housing must be kept going at a boom level regardless of basic market forces and, because of FNMA, we have given up the benefits of the laws of supply and demand which have heretofore served so well in regulating all phases of our economic life. From now on, will FNMA supplant supply and demand and will it regulate the volume of housing and the amount of mortgage financ-

we are told that FNMA is needed to provide mortgage funds in small towns throughout the country. I am extremely pleased that Mr. Cale recognizes it is much more expensive to negotiate, close and service a small volume of loans in these little towns and that he is solidly behind the recommendation of the President's Committee that an additional service fee be allowed on such loans and that such a provision is included in the Housing Act of 1954. The flow of money responds to the **net** rental paid twenty years might have in store previously with Curtis Lipton Co. for its use and I predict a comfor us. The government loan plans for its use and I predict a complete satisfaction of the mortgage flected in the Housing Act of 1954 needs of small communities if this have accomplished too muchservice fee should be permitted.

It cannot be too strongly emphasized that we have an educational job to do in connection with the usual fee of 1/2% paid by investors to servicing agents. Except for loans made in their local territory, if lenders do not operate on the branch office system, the only way they can make their funds available on a nationwide basis is through the servicing agent system. Then, a 412 % loan becomes a 4% loan and out of this 4% must be paid originating costs, home office expenses and losses. Let us keep stressing the fact that The FNMA

The FNMA

This whole concept to which I sounds elementary to you but I it to our government and to our Michigan, for 16 years, passed

stands it.

There are many other phases of the government loan programs I should like to discuss with you in detail if time permitted. I would like to think with you about the desirability of 100% loans for veterans now that no acute housing shortage exists and we are not operating under a rationed and war-time economy. The purpose of the G.I. loan was not to give the veteran a preference but to be sure he was not penalized in acquiring a home because of the time he had spent in service. Do the same conditions exist today as in 1944 when the act was first passed and should the benefits of the act be granted to those entering the service today on exactly the same basis as of their country in time of active

I would like to discuss with you some of the problems involving FHA debentures which, to my mind, play a powerful role in the operation of the entire FHA mortgage system. The questions of interest rate and other details bearing on the marketability of these debentures will some day weigh heavily on the minds of mortgagees if we encounter a period of greater than normal foreclosures.

I wish I could talk with you about the desirability of FHA extending its loan limits on single family houses, as contemplated by the Housing Act of 1954, from \$16,000 to \$20,000 with corresponding increases on two-unit, three-unit and four-unit dwellings. Would it be better if what assistance our government can render in this field be confined to the lower priced houses and thereby spread over a greater number of people who need it most-keeping in mind that those who contemplate buying the more expensive houses should be in a better position to pay for them?

These and many other questions could be discussed at great length and I am sure we would not all agree on the correct solutions. There are many facets of the conventional mortgage business that should be covered if one is to make an intelligent presentation of the over-all mortgage picture. But I have long since reached the conclusion that the whole subject of mortgage loans is just too broad and comprehensive to be adequately treated in one brief talk. About all a speaker can do is to select some broad phase of the mortgage business which, to him, seems to be basic and fundamental at the moment and then hope to stimulate some intelligent thinking on the part of his audience who, usually, are better informed than the speaker.

#### Conclusion

It was my feeling that after twenty years of progression by our government in the residential mortgage field, it was time for us to stop-take stock and think carefully about what the next too man good qualities and the mutual savings banks and the life insurance companies have been too actively identified with

responsibility we have to help shape the future of the mortgage business - a field of investment which has meant so much to your banks throughout their entire history. We cannot sit back and assume the other fellows will do it. What is everybody's business is nobody's business. We must work and plan individually and collecwhen we are referring to the na- tively and then act aggressively tional mortgage market, the rate and forthrightly. As citizens of a to the investor is always 1/2 % less democracy made great by the free 100% loan is going to fare and am referring and which pervades suggest you take the time to be depositors and policyholders to away May 16 at the age of 61.

exert the influence which rightfully belongs to us in the mortgage field. We must be willing to make suggestions and give advice to our duly elected representatives and must never hesitate to speak openly and frankly to the administrative officials in government, most of whom will listen intently to businesses such as yours and mine which have back of them many long years of solid experience in the field of trustee-

### Clark Oil & Refining Securities Offered

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Loewi & Co., Milwaukee, Wis., heads an underwriting group which is offering 50,000 shares of to those who went to the defense series A, \$1.20 cumulative dividend, convertible preferred stock, \$20 par value and 100,000 shares common stock, \$1 par value. Members of the group include: Straus, Blosser & McDowell, Chicago; Bell & Farrell, Inc., Madison; Ames, Emerich & Co., Inc., Chicago; H. M. Byllesby & Co. (Inc.), Chicago; Dempsey-Tegeler & Co., St. Louis; Irving J. Rice & Co., Inc., St. Paul; Fusz-Schmelzle & Co., St. Louis; The Marshall Co., Milwaukee; Metropolitan St. Louis Co., St. Louis and Link, Gorman, Peck & Co., Chicago.

Clark, the largest independent oil company in the Midwest refines and sells petroleum products both through regular wholesale channels and its 160 retail outlets. In addition, 27 new stations are under construction, eight in Wisconsin, three in Minnesota, seven in St. Louis and four in Southern Illinois. Six new stations are under construction in the Chicago area and ten additional sites have been selected in that new market. The company's operating income has grown from \$22,000,000 in 1949 to more than \$36,000,000 in 1953. The company's two refineries and water transportation facilities are modern and adequate to handle both present requirements and planned expansion.

The net proceeds will provide additional working capital.

#### Bache to Admit

Louis A. Voltter will be admitted to limited partnership in Bache & Co., 36 Wall Street, New York City, members of the New York Stock Exchange, June 1.

### Joins Taylor Staff

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Cal.—Robert R. Hammond has joined the staff of Taylor and Company, 364 North Camden Drive.

#### With Cantor, Fitzgerald

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Cal.-Oliver H. Bonham-Carter is now with Cantor, Fitzgerald & Co., Inc., 232 North Canon Drive. He was

### Nelson, Scoville Co.

SEATTLE, Wash.-Nelson, Scoville & Co., Inc. has been formed with offices in the White Building them for us to fail to give it our to engage in the securities busivery best of thinking at this ness. Melvin J. Scoville, a princime.

I want us to contemplate the tive as an individual dealer.

#### With First California

(Special to THE FINANCIAL CHRONICLE) LOS ANGELES, Calif. - Ralph M. Dahl has become affiliated with the First California Company Incorporated, 647 South Spring Street. He was previously with Fairman & Co. and Edgerton, Wykoff & Co.

#### Ira J. Ducey

# Our Reporter's Report

in a welter of confusion, but a ray Service Electric & Gas Co. first of hope developed this week when underwriters came up with an offering that attracted buyers for

Things have been pretty much at a stalemate over a period of weeks with a major segment of so-called institutional investors 'virtually on strike," as one ob- bid of 102.3199%. server put it, against yields being currently offered.

Natural Gas Co. put up for bids be used for general corporate pur-\$25,000,000 of debentures due to poses and for construction expenmature in 25 years. The success- ditures. The company estimates ful banking group repriced the that approximately \$84,000,000 has issue at 101.833 for an indicated been or will be expended in 1954 yield of 3.02%.

And at this rate of return there were buyers around for the debentures. Savings banks and pen- tion prices ranging from 105.92% sion funds were reported to have to par, and at special redemption shown substantial interest in this prices receding from 102.92% to one and by the close on Tuesday, more than 80% of the total had been spoken for.

There were certain inducements, however, which helped to explain the relative popularity of this issue. Though it carries a 25-year maturity, there is a sinking fund designed to retire 80% of the total before that time, thus averaging out a life of about 161/2 years.

However, while Consolidated Natural Gas 31/8s were going well, it developed that groups which had brought out four other issues in recent weeks decided to terminate their agreements and let ations. the bonds find their own levels.

#### Hasn't Bought This Year

The attitude of institutional buyers toward the bond market is perhaps summed up by the remarks of the manager of a fund that counts its resources well up in the millions.

He says he hasn't bought a bond since the turn of the year, re-marking that you can't afford to put the money out on a return basis of 2.9% to 3%. His argument is that you can't break even unless it is possible to obtain a return of 3.15% to 3.20%.

Asked whether he thought yields would get to that level, he stated that "unfortunately doesn't think so, much as he would like to see it.

#### Watching Money Rates

Even among those who have "fighting the market" at least to the extent of avoiding the buying side, it is recognized that, basically, easy money is the order of the day for a considerable time at least.

Fact of the matter is that some people are looking for another downward adjustment in Federal Reserve rediscount rates before the Fourth of July.

There are some, of course, who banks will be reduced, thus freeearmarked in cash.

#### Breathing Spell Ahead

is concerned it looks as though Webster Securities Corporation; underwriters and dealers have a next week. Only one substantial ner sized offering is up for competitive bids on the calendar.

next Wednesday as the date for & Co.; Stroud & Company Incor- gives the investor an investment the opening of bids on its projected issue of \$25,000,000 of new Roosevelt & Cross Incorporated; in bonds and preferred stocks and duction in income taxes, so that represents unrealized gain on in-

There are several moderatesized negotiated undertakings on tap, the largest of these being the Scudder Fund of Canada's 700,000 liam Blair & Company. shares of capital stock.

### Halsey, Stuart Group Offer Utility Bonds

and refunding mortgage bonds, 31/4% series due May 1, 1984, at 102.915% and accrued interest, to yield 3.10%, is being made today (May 27) by a syndicate headed by Halsey, Stuart & Co. Inc. The group won award of the issue at competitive sale on May 26 on a

Net proceeds from the sale of the bonds will be added to the But this week Consolidated company's general funds and will for construction purposes.

> to redemption at regular redemppar, plus accrued interest in each

Public Service Electric & Gas Co. is an operating public utility company engaged in the electric and gas business in New Jersey. Territory served by the company includes most of the larger cities in New Jersey as well as many smaller communities. Based on the 1950 census, population of the territory served with electricity and gas was 3,193,524. Of the total operating revenues of the company in 1953, about 72% was derived from its electric operations and about 28% from its gas oper-

For the 12 months ended March 31, 1954, total operating revenues aggregated \$235,548,631 and net income amounted to \$25,206,773. For the year 1953, total operating revenues were \$230,267,295 and net income was \$25,562,807.

### **Baltimore County Bonds Offered by National City Group**

The National City Bank of New York heads a syndicate that was awarded on May 25 an issue of \$22,000,000 Baltimore Maryland, 5%, 2.60%. 2.70%, 23/4% and 1% various purpose bonds, due June 1, 1957 to inclusive. The group bid 100.0208, for a net interest cost of

Bonds maturing from 1957 to 1991, in the amount of \$21,440,000, being reoffered at prices scaled to yield from 1.15% to depending on maturity. The bonds maturing from 1992 to 1994, in the amount of \$560,000.

are not being reoffered. Associated with The National City Bank in the offering are: Drexel & Co.; Halsey, Stuart & Co. Inc.; Glore, Forgan & Co.; Kidder, Peabody & Co.; Union Sefeel that before the bank rate curities Corporation; Mercantilemoves again, it is more likely that Safe Deposit and Trust Company; reserve requirements of member The Northern Trust Company; Chemical Bank & Trust Company; ing up a portion of deposits now Continental Illinois National Bank and Trust Company of Chicago; The Philadelphia National Bank; Blair, Rollins & Co. Incorporated; As far as the corporate market Goldman, Sachs & Co.; Stone & different securities held in all

Equitable Securities Corporabreathing spell ahead for the tion; Merrill Lynch, Pierce, Fenner & Beane; Hornblower & ings include 58 bonds, 17 pre-Weeks; Baker, Watts & Co.; John ferred stocks and 169 common C. Legg & Company; Stein Bros. & Boyce; W. E. Hutton & Co.; F. Consumers Power Co., has fixed S. Smithers & Co.; Dean Witter amount in each of the three funds porated; Trust Company of Georgia; Francis I. du Pont & Co.: first mortgage bonds and with Laidlaw & Co.; Bache & Co.; L. 60% in common stocks.

Quirk & Co. Incorporated; Auchincloss, Parker & Redpath; Wil-

### S. D. Fuller Offers **Pyramid Electric Shs.**

S. D. Fuller & Co., New York Offering of \$50,000,000 Public City, are offering publicly an issue of 92,000 shares of common stock (par \$1) of the Pyramid Electric Co. at \$3.25 per share.

The net proceeds are to be added to working capital and to purchase additional equipment.

Pyramid Electric Co. produces hermetically sealed miniature tubular paper capacitors, under the trade mark "Glasseal." Plants are located at North Bergen and Paterson, N. J.

Continued from page 40

### **MUTUAL FUNDS**

The new bonds will be subject to the fiscal year-end, capital gains distributions were made by each series of funds," he added.

"We are pleased to report that approximately 62% of the capital gains distributions were accepted by shareowners in additional shares at asset value instead of cash," stockholders were told.

Discussing the outlook for investments over the next 12 months, the report declared that wider variations in earnings of individual companies and industries are anticipated because of larly important in the months ous loadings have declined. ahead," it stated.

"For investors, a reasonable backlog of selected bonds and and we believe it advisable to continue to have adequate representation in common stocks in decline since the spring of 1952. order to benefit from the relatively high income available and at the same time to have an opportunity to participate in the long-term growth of successful American corporations," the report asserted.

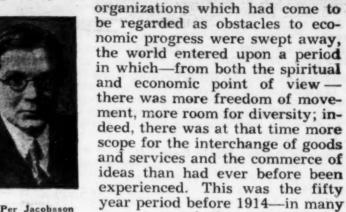
ONE WAY of making the postman's ring more welcome is to know that he will be bringing some extra income along with the month's bills. That is the purpose of the "Dividend - Every -Month" plan announced by Hugh W. Long and Company, national underwriter to mutual funds with assets of more than \$250,000,000. The plan is designed to provide investors with dividends each month from a balanced investment program.

Convenience is only one of the important features of the Dividend - Every - Month Plan, The Long organization points out that has of course been a substantial the plan is a prudent way of ac- buying movement in cotton texquiring a fully supervised invest- tiles, starting about May 12. ment account combining an opshelter rainy day in bonds and preferred stocks. To showed considerable Fund and Manhattan Bond Fund. an interest in the more than 240 automobiles and accessories. three Funds.

Currently these combined holdferred stocks and 169 common stocks. An investment of an equal come figures compiled by the Deaccount with approximately 40%

# five groups ready to bid competition should be keen. F. Rothschild & Co.; Hirsch & Co.; Wertheim & Co.; Mead, Miller & Co.; Mead, Miller & Co.; Andrews & Wells, Inc.; King.

"When in the course of the nineteenth century the guild system and the other forms of traditional



Dr. Per Jacobsson

ways one of the most fruitful epochs in the complex history of man." - Per Jacobsson in the April Quarterly published by "Skandinaviska Banken."

It is not merely a form of nostalgia which leads us to regret the passing of that era.

### **Business Index at New High Since February**

The Axe - Houghton weekly business index has advanced during the last three weeks and is the highest since the end of February although the net increase from the March 13 low point has Electric been only 3.4 points. power production has advanced in the last three weeks and has reached a new high record, after allowing for seasonal variation. increasing competition. "Unusual Steel and automobile production care in the selection of invest- and lumber loadings have inments will therefore be particu- creased slightly, but miscellane-

The index of durable goods raw material prices has shown a further advance making the prespreferred stocks seems prudent, ent recovery the most extensive cf any of the several upturns that have occurred during the general

An additional sharp rise in copper scrap prices is mainly responsible for this advance, although there has also been a moderate further rise in steel scrap prices. Copper refiners' sales have shown further gradual improvement.

Producers' stocks have declined slightly. Imports of copper and lead have remained fairly low, imports of zinc increased sharply in March. The devaluation of the Mexican peso will probably encourage lead and zinc imports thence for a while, although several United States companies, notably American Smelting & Refining Company, have extensive mines, smelters, refineries, and other property there.

The semi-durable goods raw material price index has held up close to the top of the recent advance, reached three weeks ago. The outstanding development in the semi-durable goods industries

Total retail sales, according to portunity for profit in common the Department of Commerce, defrom July to January but recovery receive a dozen dividends checks from January to April, Axe rea year under this plan the in- ports. This however was almost vestor purchases shares of three entirely attributable to a decline mutual funds: Fundamental In- and recovery in retail sales of vestors, Diversified Investment durable goods; and the decline and recovery in durable goods was largely attributable to a de-In this way the investor acquires cline and recovery in sales of

Retail sales of non-durable goods have been comparatively steady, and the April total, seasonally adjusted, was indeed only slightly lower than the December 1952 peak.

According to the national infurther decrease in the first quarter, but this was offset by a rethe total disposable income was vestments.

slightly higher than in the fourth quarter and as high as in the third quarter, which was the highest on record.

Personal consumption expenditures on the other hand are estimaied to have continued to decline in the first quarter, the difference being attributed to an increase in personal savings, which reached \$20 billion, according to the Department of Commerce, as compared with an all-time high record of \$20.8 billion in the third quarter of 1951.

These income and expenditure and savings estimates, though they are undoubtedly subject to considerable error, nevertheless seem to indicate that the January first tax reduction has been an important factor in maintaining purchasing power and in preventing the decline in general business activity from getting worse, Axe comments. The remarkably high and well-sustained volume of personal savings may indeed explain, at least in some small part, the recent advance in security prices.

The Federal Reserve Board has done nothing in recent weeks to influence the money market, Axe Short-term interest rates remained low. Treasury yields have advanced, but there has been no comparable reaction in high-grade corporates.

It has been almost a year since the Federal Reserve Board began its epochal reversal of policy, but the effects continue to be manifest in several directions. One effect has been to put stock prices up, as in 1929, Axe states. Another has been to help maintain a high, level of new home construction, by making financing easier.

Another has apparently been to facilitate the financing of huge public projects such as throughways, additional school facilities, and other improvements for which, it is said, there is a desperate need.

Where this all leads to is any body's guess, the Axe report states, but it looks as if there would be no lack of heavy construction activity for some time to come specially if, as rumored, the Administration is in process of reversing also its position with respect to Federal power and reclamation projects in the face of the apparently overwhelming regional political pressure for this type of government

TEXAS FUND, completing its fifth year of growth on Aug. 33, 1954, reported total assets have partment of Commerce, total per- increased from \$150,000 on Aug. sonal income showed a moderate 31, 1949 to \$15,001,690 on April 30, this year, of which \$2,792,791

# Securities Now in Registration

\*\*Aluminum Co. of America, Pittsburgh, Pa. (6/9) May 20 filed \$100,000,000 of sinking fund debentures due June 1, 1979. Price—To be supplied by amendment. Proceeds-To repay bank loans and for capital expenditures and working capital. Underwriter — The First Boston Corp., New York.

American-Canadian Oil & Drilling Corp.

May 12 filed 1,500,000 shares of common stock. Price-At par (\$1 per share). Proceeds-For drilling expenses and acquisition of additional properties for development and exploration, and related activities. Office-Dallas, Tex. Underwriter-None.

American Coffee-Matic Corp., N. Y.

March 22 (letter of notification) 300,000 shares of common stock (par 10 cents). Price—\$1 per share. Proceeds
—For working capital, etc. Office—20 Broad St., New York, N. Y. Underwriter—Mid-West Securities, 164 Congress St., Brooklyn, N. Y.

American Cyanamid Co., New York (6/3)

May 5 filed 585,000 shares of cumulative preferred stock, series C (par \$100-convertible prior to July 1, 1964) to be offered for subscription by common stockholders of record June 1, 1954 at the rate of one preferred share for each 15 shares of common stock held; rights to expire June 17. Price-To be supplied by amendment. Proceeds-To increase working capital and for general corporate purposes. Underwriter-White, Weld & Co.,

American Transportation Insurance Co.,

Kansas City, Mo. March 17 filed 20,000 shares of capital stock (par \$100). Price-\$150 per share. Proceeds - To increase capital and surplus. Underwriter-None.

Artesian Water Co., Newport, Del.

May 12 (letter of notification) 5,467 shares of class A non-voting common stock to be offered first to stockholders at \$18 per share; then to public at \$20 per share. Proceeds — To improve and expand water distribution system. Office—501 Newport & Gap Pike, Newport, Del. Underwriter-Laird, Bissell & Meeds, Wilmington, Del.

Associated Oil & Gas Co., Houston, Texas (6/2) May 12 filed 900,000 shares of capital stock (par 1¢). Price-To be supplied by amendment. Proceeds-To repay bank loans, for development of properties and for general corporate purposes. Underwriter-Allen & Co., New York.

Automatic Canteen Co. of America

April 30 filed 77,706 shares of common stock (par \$5) being offered for subscription by stockholders of record May 20 on the basis of one new share for each six shares held; rights to expire on June 7. Price-\$14 per share. Proceeds - To extend activities in the merchandise vending field. Underwriter-Glore, Forgan & Co., New York. Statement effective May 20.

Automatic Devices Co., Inc.

delphia, Pa.

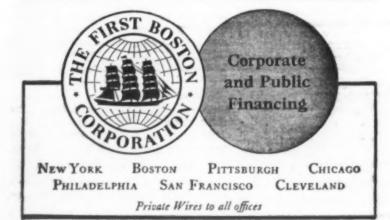
May 18 (letter of notification) 630 shares of preferred stock (par \$100) and 2,520 shares of common stock (par 10 cents), to be offered in units of two shares of prefered and eight shares of common stock to each present holder of four shares of common stock. Price-\$280 per unit. Proceeds-For expansion and working capital. Office—714 Hillgrove, Western Springs, Ill. Underwriter—

Barnesville Rural Telephone Association

May 27 (letter of notification) 8,000 shares of common stock. Price-At par (\$5 per share). Proceeds-For general corporate purposes. Office — Barnesville, Minn. Underwriter-None.

Basin Natural Gas Corp., Santa Fe, N. Mex. Dec. 23 (letter of notification) 748,000 shares of common stock (par five cents). Price—40 cents per share. Proceeds—To acquire properties and leases. Office — Blatt Bldg., Santa Fe, N. M. Underwriter-Hunter Securities Corp., New York.

 Brandywine Raceway Association, Inc. April 28 filed 20,000 shares of capital stock (par \$1) and \$200,000 of 6% subordinated notes due June 1, 1964 being offered in units of five shares of stock and \$50 of notes to stockholders of record May 19, 1954, on the basis of one unit for each 50 shares of stock held. Rights will expire on June 7. Price-\$100 per unit. Proceeds-To pay current liabilities, and for expansion and improvements, etc. Office-Wilmington, Del. Underwriters-Laird Securities Co., Inc., and Laird, Bissell & Meeds, both of Wilmington, Del., and Harrison & Co., Phila-



To Kay L. Rockey, the selling stockholder. Underwriter—Stubner & Co., New York.

British Industries Corp.

\* Broadway-Hale Stores, Inc., Los Angeles, Calif. May 20 (letter of notification) an undetermined number of common shares (par \$10) to be issued under employees stock purchase plan. Proceeds-None. Office-401 S. Broadway, Los Angeles, Calif. Underwriter-

April 23 (letter of notification) 3,750 shares of capital stock. Price-At market (\$2 net to seller). Proceeds-

California Electric Power Co.

April 22 filed 105,000 shares of cumulative preferred stock (par \$50). Price—To be supplied by amendment. Proceeds — To redeem two issues of \$2.50 preferred stock (par \$50), totaling 98,800 shares, and, with proceeds from proposed issue of \$8,000,000 of new first mortgage bonds, to redeem \$8,000,000 3 % % bonds presently outstanding. Underwriter - Merrill Lynch Pierce, Fenner & Beane, New York. Offering-Temporarily deferred.

★ Central Illinois Public Service Co. (6/15)
May 24 filed \$5,000,000 of first mortgage bonds, series

F. due June 1, 1984. Proceeds—To finance part of construction program. Underwriters-To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly); Blyth & Co., Inc., Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly); Salomon Bros. & Hutzler; Equitable Securities Corp.; The First Boston Corp. and Central Republic Co. Inc. (jointly). Bids-Planned for June 15.

★ Central Maine Power Co. (6/3-4)

May 20 filed 50,423 shares of convertible preferred stock (par \$100) to be offered for subscription by holders of outstanding common stock and 6% preferred stock on the basis of one new preferred share for each 50 shares of common stock held and one new share of preferred stock for each 10 shares of 6% preferred stock held on June 3 or 4; rights expire June 14. Price—To be supplied

June 9 (Wednesday)

(The First Boston Corp.) \$100,000,000

Aluminum Co. of America.....

\* INDICATES ADDITIONS SINCE PREVIOUS ISSUE • ITEMS REVISED

by amendment. Proceeds-To reduce bank loans. Underwriters—Harriman Ripley & Co. Inc. and The First Boston Corp., both of New York; and Coffin & Burr, Inc., Boston, Mass.

Cherokee Industries, Inc., Oklahoma City, Okla. May 10 filed 5,000,000 shares of class B non-voting common stock (par 1 cent). Price-\$1 per share. Proceeds-For construction, operating expenses and working capital. Underwriter-None.

★ Chicago, Aurora & Elgin Ry., Wheaton, III. May 18 (letter of notification) 5,000 shares of common stock. Price-At market (estimated at \$8.8712 per sh.). Proceeds-To Earl C. Nagels, President. Underwriter-Rodman & Renshaw, Chicago, Ill.

Childs Food Stores, Inc., Jacksonville, Tex. April 26 (letter of notification) 5,000 shares of class A common stock (no par). Price-\$13 per share. Proceeds -For working capital. Underwriter—Moroney, Beissner & Co., Houston, Tex., and Eppler, Guerin & Turner, Dallas, Tex.

\* Connecticut Light & Power Co.

May 25 filed 590,290 shares of common stock (no par stated value \$10.0625 per share), to be offered for subscription by commoin stockholders of record at 3 p.m. on June 1, 1954, in the ratio of one new share for each 10 shares held. Price-\$12.75 per share. Proceeds-For construction program. Underwriter.—None.

Consol. Edison Co. of New York, Inc.

April 7 filed \$50,000,000 of first and refunding mortgage bonds, series K, due May 1, 1984. Proceeds-To be applied towards cost of redeeming \$27,982,000 New York Steam Corp. first mortgage bonds and \$25,000.000 Westchester Lighting Co. general mortgage bonds. Underwriter-To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp. Offering-Originally set for May 11, but has been postponed because of market conditions. No new date set.

Consumers Power Co. (6/2)

May 6 filed \$25,000.000 of first mortgage bonds due 1984. Price—To be not less favorable to company than a

Bonds

July 12 (Monday)

(Bids to be invited) \$10,000,000

United Gas Improvement Co ....

## NEW ISSUE CALENDAR

WEN IOOUE	ONLLHDAN
June 1 (Tuesday)	June 10 (Thursday)
Inter-Canadian CorpCommon	Mountain Fuel Supply CoDebentures
Missouri Telephone Co	Philadelphia Electric Co
New Orleans Public Service IncCommon (Offering to stockhelders—no underwriting) 7,127 shares	United States Sulphur & Chemical CorpCommon (Vickers Brothers) \$760,000
June 2 (Wednesday)	June 15 (Tuesday)
Associated Oil & Gas CoCommon	Central Illinois Public Service CoBonds
Consumers Power CoBonds	Giddings & Lewis Machine Tool CoCommon
Merritt-Chapman & Scott CorpCommon (A. C. Allyn & Co. Inc.) 187,791 shares	Gulf States Utilities CoBonds
Nortex Oil & Gas CorpCommon (J. R. Williston & Co.) \$299,998	Gulf States Utilities CoPreferred   Preferred   P
Shawano Development CorpCommon (McGrath Securities Corp.) \$249,000	(Bids 11:30 a.m. EDT) \$16,000,000  Hammond Organ Co
June 3 (Thursday)	(A. G. Becker & Co. Inc. and Hornblower & Weeks) 114,954 shares
American Cyanamid CoPreferred  (White, Weld & Co.) \$58,500,000  Central Maine Power CoPreferred	Hercules Cement CorpCommon   Offering to stockholders—may be underwritten by Stroud & Co., Inc., 40,000 shares
Offering to stockholders—underwritten by Harriman Ripley & Co. Inc.; The First Boston Corp.; and Coffin & Burr, Inc.) \$5.042,300	Jersey Central Power & Light CoBonds
Glass Fibers, IncDebentures	Lily-Tulip Cup CorpCommon (Offering to stockholders—underwritten by Blyth & Co., Inc.)
Grand Mesa Uranium Co	Western Plains Oil & Gas CoCommon
Reliance Electric & Engineering CoDebs. (Blyth & Co., Inc.) \$5,000,000	(Irving J. Rice & Co.) \$475,000
Scudder Fund of Canada, LtdCommon	June 16 (Wednesday) Hoffman Radio CorpCommon
Vanadium Corp. of AmericaDebentures (Kidder, Peabody & Co.) \$5,000,000	(Blyth & Co., Inc. and William R. Staats & Co.) 130,000 shares
June 7 (Monday)	June 21 (Monday)
Hilo Electric Light Co., LtdCommon (Offering to stockholders—no underwriting) \$500,000	Tennessee Gas Transmission CoBonds (Bids to be invited) \$25,000,000
Lynch Carrier Systems, IncDebentures (P. W. Brooks & Co., Inc.) \$250,000	June 22 (Tuesday) Gulf Power CoBonds
Lynch Carrier Systems, IncCommon	(Bids 11 a.m. EDT) \$10,000,000
Southern Nevada Power CoCommon (William R. Staats & Co.; Hornblower & Weeks; and First	June 23 (Wednesday)  Duquesne Light CoPreferred
Transportation Development CorpCommon	Panhandle Eastern Pipe Line CoDebentures
(L. H. Rothchild & Co.) \$600,000  June 8 (Tuesday)	(Bids to be invited) \$25,000,000
	June 25 (Friday)
Fruehauf Trailer CoDebentures (Lehman Brothers) \$20,000,000  Southwestern Co. & Flootrie Co.	Merritt-Chapman & Scott CorpCommon (Offering to stockholders—no underwriting) about 281,432 sns.
Southwestern Gas & Electric Co	June 29 (Tuesday)
United Utilities, Inc	Duquesne Light CoBonds

\_Debentures

3% basis. Proceeds—To redeem at 105.25% a like amount of outstanding 3% bonds due 1983. Underwriter-To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co., and Union Securities Corp. (jointly): Harriman Ripley & Co. and The First Boston Corp. (jointly). Bids-To be received up to 11 a.m. (EDT) on June 2 at 20 Pine St., New York 5, N. Y.

Cornbelt Insurance Co., Freeport, III. March 17 filed 300,000 shares of common stock (par \$1). Price-\$3 per share. Proceeds-For investment. Underwriter-None.

Cornell-Dubilier Electric Corp.

April 7 (letter of notification) 1,666 shares of common stock. Price-At market (approximately \$30 per share). Proceeds - To Octave Blake, the selling stockholder. Underwriter-Pyne, Kendall & Hollister, New York.

• Decca Records, Inc., New York (6/1)

May 10 filed 954,474 shares of capital stock (par 50 cents) being offered in exchange for Universal Pictures Co., Inc., common stock on the basis of 21/4 shares of Decca stock for each Universal share. Decca on May 1 owned 672,996 shares (66.2%) of Universal stock, with 344,338 shares in hands of approximately 1,783 other stockholders. Also there were warrants outstanding for the purchase of 79,873 shares of Universal stock at \$10 per share held by others than Decca, and any Universal stock acquired upon exercise of such warrants may be tendered for exchange. Offer will expire on June 30. Soliciting Agent-Georgeson & Co., New York.

★ Duquesne Light Co. (6/23) May 26 filed 120,000 shares of preferred stock (par \$50). Proceeds—For construction program. Underwriters—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Lehman Brothers; Blyth & Co., Inc.; Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Kuhn, Loeb & Co. and Smith, Barney & Co. (jointly). Bids-Tentatively expected to be received on June 23.

★ Duquesne Light Co. (6/29)

May 26 filed \$16,000,000 of first mortgage bonds due July 1, 1984. Proceeds-For construction program. Underwriters-To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Kuhn, Loeb & Co., Union Securities Corp. and A. C. Allyn & Co., Inc. (jointly): White, Weld & Co.; Drexel & Co. and Equitable Securities Corp. (jointly); Harriman Ripley & Co. Inc. Bids-Expected to be received on June 29.

Electronic Associates, Inc. April 19 (letter of notification) 7,500 shares of common stock (par \$1) being offered for subscription by stockholders of record May 10, 1954 on the basis of one new share for each 15 shares held; rights to expire on June 9, 1954. Price—\$18.50 per share. Proceeds—For working capital. Office-Long Branch Ave., Long Branch, N. J. Underwriter-None.

Family Digest, Inc.

April 9 (letter of notification) 142,875 shares of class A stock. Price-At par (\$1 per share). Proceeds-For operating capital and operating expenses. Office-421 Hudson St., New York 14, N. Y. Underwriter-Carl J. Bliedung, Washington, D. C.

Financial Credit Corp., New York

Jan. 29 filed 250,000 shares of 7% cumulative sinking fund preferred stock. Price-At par (\$2 per share). Proeeeds—For working capital. Underwriter—E. J. Fountain & Co., Inc., New York.

\* First Investors Corp., New York

May 24 filed \$5,000,000 of Single Payment and Periodic Payment Plans. Proceeds-For investment.

• Fruehauf Trailer Co. (6/8)

May 18 filed \$20,000,000 sinking fund debentures due June 1, 1974. Price - To be supplied by amendment. Proceeds-To refund \$16,070,000 of present senior funded debt and to increase general operating funds. Underwriter-Lehman Brothers, New York.

Gamma Corp., Wilmington, Del.

Feb. 2 (letter of notification) 140,000 shares of common stock (par 10 cents). Price-\$1.50 per share. Proceeds-For inventory, capital expenditures and working capital. Office-100 West 10th Street, Wilmington, Del. Underwriter-Sheehan & Co., Boston, Mass.

General Credit Corp., Miami, Fla. March 25 (letter of notification) 74,990 shares of capital stock (par \$1). Price—\$4 per share. Proceeds—For working capital. Office—799 N. W. 62nd Street, Miami, Fla. Underwriter-Murphy & Co., Miami, Fla.

General Gas Corp., Baton Rouge, La.

March 19 filed 100,000 shares of common stock (par \$5). Price - To be supplied by amendment. Proceeds - To selling stockholders. Underwriter-Kidder. Peabody & Co., New York, Offering-Postponed indefinitely,

General Public Utilities Corp.

April 15 filed 606,423 shares of common stock (par \$5) being offered for subscription by stockholders at rate of one new share for each 15 shares held on May 12; with rights to expire June 2. Price-\$28.50 per share. Proceeds - To be invested in corporation's domestic subsidiaries. Underwriter-None, but Merrill Lynch, Pierce, Fenner & Beane will act as clearing agent.

General Stores Corp., New York

March 8 filed 300,000 shares of common stock (par \$1). Price-\$1.371/2 per share. Proceeds-To pay part of cost of acquisition of Ford Hopkins Co., Chicago, Ill. Underwriter-A. C. Allyn & Co., Inc., Chicago, Ill.

General Telephone Co. of Kentucky

May 7 filed 46,000 shares of 5% cumulative preferred stock (par \$50), of which 16,000 shares are being offered in exchange for the 8,000 shares of 5.2% cumulative

preferred stock outstanding on the basis of two new shares, plus \$4 per share in cash for each 5.2% share held. The exchange offer will expire on July 1. The remaining 30,000 shares of 5% preferred stock were offered publicly at par by Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp. and associates. Proceeds-To retire 5.2% preferred stock, to repay bank loans and to pay notes due to the General Telephone Corp., its parent.

★ Georgetown-on-the-Aisle Club

May 21 (letter of notification) 200 shares of 6% non-- \$50 per share. Procumulative preferred stock. Price ceeds-To operate a theatre club for entertainment of its members. Address-c/o C. B. Heinemann, Jr., 740-11th St., N. W., Washington, D. C. Underwriter-None,

★ Giddings & Lewis Machine Tool Co. (6/15) May 21 filed 100,000 shares of common stock (par \$2), of which 60,000 shares are to be sold by the company and 40,000 shares for the account of a stockholder. Price-To be supplied by amendment. Proceeds-To company, to reduce bank loans and for working capital. Underwriter-Hornblower & Weeks, New York.

Glass Fibers, Inc., Toledo, Ohio (6/3) May 13 filed \$3,000,000 convertible sinking fund debentures due June 1, 1969. Price—To be supplied by amendment. Proceeds—To repay bank loans and for general corporate purposes. Underwriter - McCormick & Co., Chicago, Ill.

• Glitsch (Fritz W.) & Sons, Inc.

May 3 filed 170,000 shares of common stock (par \$2). Price-\$11.50 per share. Proceeds-To selling stockholders. Office - Dallas, Texas. Underwriters - A. C. Allyn & Co., Inc., Chicago, Ill., and The First Southwest Co., Dallas, Texas. Offering—Expected today (May 27).

\* Gold Producers, Inc., Winnemucca, Nev. May 19 (letter of notification) 100,000 shares of common stock. Price-At par (50 cents per share). Proceeds-For development and exploration expenses. Office-205 Bridge St., Winnemucca, Nev. Underwriter-None.

Grand Mesa Uranium Co. (6/3-4)

May 15 (letter of notification) 1,100,000 shares of common stock (par 10 cents). Price-25 cents per share. Proceeds — For mining expenses. Office — Felt Bldg., Salt Lake City, Utah. Underwriter—Greenfield & Co., Inc., New York.

★ Grant Building, Inc., Pittsburgh, Pa.

May 21 filed 22,069 shares of common stock (par \$1) to be offered for subscription by common and class A common stockholders. **Price**—To be supplied by amendment. Proceeds-From sale of stock, together with other funds, to be used to retire \$403,100 of collateral trust bonds due 1957 at 100% and accrued interest. Underwriter-None.

Great Western Uranium Co., Denver, Colo. May 10 (letter of notification) 2,000,000 shares of common stock (par 10¢). Price-15¢ per share. Proceeds-For mining expenses. Office—704 Equitable Bldg., Denver, Colo. Underwriter-J. W. Hicks & Co., Denver, Colo.

★ Gulf Power Co. (6/22) May 26 filed \$10,000,000 of first mortgage bonds due 1984. Proceeds-To refund \$6,593,000 of outstanding first mortgage 41/8 % bonds due 1983 and for repayment of bank loans and new construction. Underwriter-To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane, Salomon Bros. & Hutzler and Drexel & Co. (jointly); Equitable Securities Corp.; Union Secu-

rities Corp. Bids-Expected to be received up to 11 a.m. (EST) on June 22.

Gulf States Utilities Co. (6/15) May 14 filed 160,000 shares of preferred stock (par \$100). Proceeds - To redeem 50,000 shares of \$4.50 dividend preferred stock, 60,000 shares of \$4.40 dividend preferred

stock, 1949 series, and 50,000 shares of \$4.44 dividend preferred stock at the prevailing redemption prices of \$105, \$105, and \$105.75, respectively. Underwriter—To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.: Lehman Brothers and Equitable Securities Corp. (jointly); Kuhn, Loeb & Co.; Glore, Forgan & Co. and W. C. Langley & Co. (jointly). Bids—Tentatively expected to be received up to 11:30 a.m. (EDT) on June 15 at The Hanover Bank, 70 Broadway, New York, N. Y. Stockholders will vote June 11 on approving preferred stock financing.

Gulf States Utilities Co. (6/15)

May 14 filed \$24,000,000 of first mortgage bonds due June 1, 1984. Proceeds-To redeem \$10,000,000 of 33/8 % first mortgage bonds due 1981 and \$10,000,000 of 3% % first mortgage bonds due 1983, and for general corporate purposes. Underwriter-To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Salomon Bros. & Hutzler and Union Securities Corp.; Kuhn, Loeb & Co. and A. C. Allyn & Co., Inc. (jointly); Lee Higginson Corp. and Carl M. Loeb, Rhoades & Co. (jointly); Stone & Webster Securities Corp. Bids—Tentatively expected to be received up to 11 a.m. (EDT) on June 15 at The Hanover Bank, 70 Broadway, New York, N. Y.

Hammond Bag & Paper Co., Wellsburg, W. Va. May 13 (letter of notification) 15,000 shares of common stock to be offered for subscription by stockholders. Price - At par (\$20 per share). Proceeds - For equipment and inventory, and working capital. Underwriter -None.

★ Hammond Organ Co., Chicago, III. (6/15) May 24 filed 114,954 shares of common stock (par \$1). Price-To be supplied by amendment. Proceeds

selling stockholders. Underwriters-A. G. Becker & Co. Inc., Chicago, Ill., and Hornblower & Weeks, New York, N. Y.

Heliogen Products, Inc.

May 10 (letter of notification) 20,000 shares of common stock (par \$1) and 20,000 rights to purchase one share at \$5 per share as a unit. Price-\$5 per share. Proceeds -For working capital, etc. Office-35-10 Astoria Blvd., Long Island City 3, N. Y. Underwriter-None.

Hilo Electric Light Co., Ltd., Hilo, Hawaii (6/7) May 10 filed 25,000 shares of common stock to be offered for subscription by stockholders of record June 5 on the basis of one share for each four shares held. Unsubscribed shares to be offered to employees. Price - At par (\$20 per share). Proceeds — To repay bank loans and for additions and improvements. Underwriter -May be named by amendment.

★ Hoffman Radio Corp., Los Angeles, Calif. (6/16) May 19 filed 130,000 shares of common stock (par 50 cents). Price-To be supplied by amendment. Proceeds -For new plant and equipment and working capital. Underwriters—Blyth & Co., Inc., San Francisco, Calif., and New York, N. Y.; and William R. Staats & Co., Los Angeles, Calif.

Indian Head Mills, Inc.

May 6 (letter of notification) 59,000 shares of common stock (par \$1) being offered for subscription by common stockholders of record May 19 on the basis of one share for each four shares held (with an oversubscription privilege); rights to expire on June 7. Of these shares, 9,000 are to be first offered to employees. Price -\$5 per share. Proceeds—For working capital. Under-writer—Blair, Rollins & Co. Inc., New York.

Inspiration Lead Co., Inc., Wallace, Idaho May 4 (letter of notification) 2,000,000 shares of class B stock (with debenture warrants). Price - 15 cents per Proceeds — For mining development. Office — ng St., Wallace, Idaho. Underwriter — Mine Fi-106 King St., nancing Inc., West 909 Sprague Ave., Spokane 10, Wash.

• Inter-Canadian Corp., Chicago, III. (6/1) April 19 filed 100,000 shares of common stock (par \$1). Price-\$25 per share. Proceeds-For venture or semiventure investment situations in Canada. Underwriter-White, Weld & Co., New York.

Jersey Central Power & Light Co. (6/15) May 13 filed \$6,000,000 first mortgage bonds due June 1, 1984. Proceeds—For construction program. Underwriters To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Glore, Forgan & Co.; Kidder, Peabody & Co.; Union Securities Corp., Salomon Bros. & Hutzler and Merrill Lynch, Pierce, Fenner & Beane (jointly); The First Boston Corp.; Lehman Brothers. Bids-Expected to be received up to 11 a.m. (EDT) on June 15 at 67 Broad St.,

c/o General Public Utilities Corp., New York, N. Y. • Kansas-Nebraska Natural Gas Co., Inc. April 28 filed 85,090 shares of common stock (par \$5) being offered for subscription by common stockholders on the basis of one new share for each 10 shares held of record May 21 (with an oversubscription privilege). Employees to be given right to purchase unsubscribed shares. Rights will expire on June 2. Price-\$23 per share. Proceeds—For property, additions. Underwriters—Cruttenden & Co., Chicago, Ill., and The First Trust Co. of Lincoln, Neb.

Kendon Electronics Co., Inc.

April 21 (letter of notification) 150,000 shares of common stock (par 10 cents). Price-25 cents per share. Proceeds-For working capital and general corporate purposes. Office - 18 Clinton Street, Brooklyn, N. Y. Underwriter-20th Century Pioneer Securities Co., New York, N. Y.

\* Kentley Corp., Grand Rapids, Mich.

May 17 (letter of notification) 1,783 shares of class B common stock to be issued to employees under the corporation's stock bonus plan (about 10 persons involved). Price-At book value (\$1.14747). Office-1425 Burlingame Ave., S.W., Grand Rapids, Mich. Proceeds - For general corporate purposes. Underwriter-None.

\* Kirschner Oil Co., Inc., Denver, Colo. May 19 (letter of notification) 28,000 shares of common stock. Price-At par (\$1 per share). Proceeds-To drill well. Office-756 South Lopan St., Denver, Colo. Underwriter-None.

Langendorf United Bakeries, Inc.

May 12 (letter of notification) 2,500 shares of common stock (par \$1). Price-At market (estimated at \$28 per share). Proceeds—To a selling stockholder. Office—1160 McAllister St., San Francisco, Calif. Underwriter-First California Co., San Francisco, Calif.

Las Vegas Continental Hotel, Inc.

May 17 filed 500,000 shares of preferred capital stock (par \$9.90) and 500,000 shares of common capital stock (no par-10¢ stated value) to be offered in units of one preferred and one common share. Price-\$10 per unit. Proceeds-To build and operate a luxury hotel and for working capital. Office-Las Vegas, Nev. Underwriter -Lester L. LaFortune, Las Vegas, Nev.

★ Leeds & Northrup Co., Philadephia, Pa. May 24 filed 4,529.5 employees' shares and 2,381 participating shares to be offered to employees.

★ Lily-Tulip Cup Corp. (6/15) May 25 filed 88,000 shares of common stock (no par) to be offered for subscription by stockholders of record about June 15 on the basis of one new share for each eight shares held; rights to expire June 29. Price—To be supplied by amendment. Proceeds—For general corporate purposes. Underwriter-Blyth & Co., Inc., New

Continued on page 56

May 4 filed \$250,000 of 6% sinking fund debentures, series A, due June 1, 1969 (with capital stock purchase warrants attached-each warrant to entitle purchaser of each \$1,000 of debentures to acquire 150 shares of capitalk stock at \$3.75 per share through May 1, 1962). Price -100% and accrued interest for debentures. Proceeds -To establish sales application engineering offices in selected cities to aid effort of company's national dis-

tributors; for machinery and equipment; for general funds to continue research and development; and to provide additional working capital. Business - Designing and manufacturing of electronic communications systems. Office-San Francisco, Calif. Underwriter-P. W. Brooks & Co., Inc., New York.

Lynch Carrier Systems, Inc. (6/7-3)

Lynch Carrier Systems, Inc. (6/7-8)

May 4 filed 140,000 shares of capital stock (par \$1). Price — \$3.50 per share. Proceeds — To selling stock-holder. Underwriter—P. W. Brooks & Co., Inc., New

Mediterranean Petroleum Corp., Inc.,

Republic of Panama March 30 filed American voting trust certificates for 1,000,000 shares of common stock (par one cent). Price -To be supplied by amendment. Proceeds-For expioratory drilling and development, in State of Israel, and for operations and expenses. Underwriter-To be named by amendment.

Merritt-Chapman & Scott Corp. (6/2-3) May 14 filed 187,791 shares of common stock (par \$12.50). Price-To be supplied by amendment. Proceeds-To Wilport Co., the selling stockholder. Underwriter-A. C. Allyn & Co. Inc., Chicago, Ill., and New York, N. Y.

Midland General Hospital, Inc., Bronx, N. Y. Way 17 filed 900 shares of common stock (no par). Price -\$1,000 per share. Proceeds-To erect a hospital in the Borough of Paramus, N. J., and for working capital, etc. Underwriter-None.

Mission Indemnity Co., Pasadena, Calif. March 29 filed 600,000 shares of common stock (par 65 cents) to be offered first to stockholders and to general public. Price—\$2 per share. Proceeds—To increase capital and surplus. Underwriter—None.

Missouri Public Service Co.

April 23 filed 50,000 shares of cumulative preferred siock (par \$100). Price-To be supplied by amendment. Proceeds-To redeem outstanding first preferred stock (\$3,475,000), to repay \$750,000 bank loans and the balarce for construction program. Underwriter-Kidder, Peabody & Co., New York. Offering - Postponed indefinitely.

 Missouri Telephone Co., Columbia, Mo. (6/1) May 13 (letter of notification) 12,000 shares of 6% cumulative preferred stock. Price-At par (\$25 per share). Proceeds-For expansion. Underwriters-Central Republic Co., Inc., Chicago, Ill.; and Dempsey-Tegeler & Co., Metropolitan St. Louis Co. and A. G. Edwards & Sons, all of St. Louis, Mo.

Monterey Oil Co., Los Angeles, Calif.

Feb. 2 filed 257,338 shares of common stock (par \$1). Price—At the market price then prevailing on the New York Stock Exchange, or through special offerings or secondary distributions. Proceeds-To Lehman Borthers (400 shares); partners of Lehman Brothers and members of their immediate families (150,458); and The Lehman Corp. (106,480). Underwriter—None. No general offer

\* Mountain Fuel Supply Co. (6/10)

May 20 filed \$12,000,000 of debentures due June 1, 1974. Price-To be supplied by amendment. Proceeds-To repay bank loans and for new construction and acquisition of properties. Underwriter — The First Boston Corp., New York

Mountain States Uranium, Inc.

May 18 (letter of notification) 30,000,000 shares of common stock. Price-At par (one cent per share). Proceeds -For mining expenses. Office-1117 Miner St., Idaho Springs, Colo. Underwriter-Underwriters, Inc., Sparks,

Natick Industries, Inc., Natick, Mass.

March 10 (letter of notification) 58.800 shares of comper share. Proceedsworking capital, etc. Underwriter-J. P. Marto & Co.,

\*National Negro Television, Theatre & Motion

Pictures Industries, Inc. (N. Y.) March 18 (letter of notification) 100,000 shares of 4% cumulative preferred stock and 40,000 shares of common stock. Price-At par (\$1 per share-in units of not less man 10 shares). Proceeds-For working capital. Office -605 Carnegie Hall, New York 19, N. Y. Underwriter-None.

New Britain Machine Co., New Britair, Conn. May 20 (letter of notification) 5,000 shares of common stock (par \$10) to be offered for subscription by employees other than directors. Price-At average bid price during month of April, which is about \$24.98 per share. Proceeds-For working capital and repayment of bank loans. Underwriter-None.

New Mexico Copper Corp.

ACRES OF THE PARTY

April 4 (letter of notification) 600,000 shares of common stock (par 25 cents). Price—50 cents per share. Proceeds—For mining expenses. Office—Carrizozo, N. M., and 1211 E. Capital St., Washington, D. C. Underwriter -Mitchell Securities, Inc., Baltimore, Md.

Mew Orleans Public Service Inc. (6/1) May 19 (letter of notification) 7,127 shares of common stock (no par) to be offered for subscription by minority

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common stockholders of record June 1 on basis of 0.135 share for each held; rights to expire on June 24. Of the total number of shares outstanding, 1,059,901 (or 95.255%) are owned by Middle South Utilities, Inc. who may subscribe for an additional 143,086 shares. Price-\$25 per share. Proceeds-For property additions and improvements. Office-217 Baronne St., New Orleans, La. Underwriter-None.

\* Nortex Oil & Gas Corp. (6/2-3)

May 14 (letter of notification) 99,966 shares of common stock (par \$1). Price-\$3 per share. Proceeds-For payments to creditors, drilling and completion of well, working capital. Office - Fidelity Union Life Bldg., Dallas, Tex. Underwriter-J. R. Williston & Co., New York.

North Pittsburgh Telephone Co.

April 23 (letter of notification) 2,000 shares of common stock to be offered for subscription by common stockholders of record May 1, 1954, on the basis of one new share for each five common shares held. Price-At par (\$25 per share). Proceeds-For general corporate purposes. Office-Gibsonia, Pa. Underwriter-None.

North Shore Music Theater, Inc., Boston, Mass. Feb. 3 (letter of notification) \$80,000 of 5% notes due Feb. 1, 1974, and 2,000 shares of common stock (par \$10) to be sold in units of \$400 principal amount of notes and 10 shares of stock. Price-\$500 per unit. Proceeds—For actors' equity bond, royalties, land, construc-tion of theater and related expenses. Office—60 State St., Boston, Mass. Underwriter-H. C. Wainwright & Co., Boston, Mass.

Northern Natural Gas Co., Omaha, Neb.

May 5 filed 365,400 shares of common stock (par \$10) being offered for subscription by common stockholders May 25 on the basis of one new share for each nine Unsubscribed shares to be offered to emshares held ployees. Rights to expire on June 8. Price-\$38 per share. Proceeds-For property additions. Underwriter

\* Northwest Refining & Chemical Co.

May 18 (letter of notification) 800,000 shares of common stock. Price - 25 cents per share. Proceeds-To erect and operate smelting plant to produce Wilcox Process zinc oxide. Office—725 Peyton Bidg., Spokane, Wash. Underwriter-None.

Oklahoma Oil Co., Denver, Colo.

April 30 (letter of notification) 800,000 shares of common stock (par five cents) to be offered first to stockholders. Price-25 cents per share to stockholders; at market to public. Proceeds-To drill for oil and gas on 21 offset locations. Office-401 Zook Building, Denver Colo. Underwriter-None.

Pacific Telephone & Telegraph Co.

May 7 filed 1,004,603 shares of common stock to be offered for subscription by common and preferred stockholders in the ratio of one share for each seven shares of common and/or preferred stock held. Price-At par (\$100 per share). Proceeds-To reduce bank borrowings.. Underwriter-None.

Pan-Israel Oil Co., Inc. of Republic of Panama March 30 filed American voting trust certificates for 1,-000,000 shares of common stock (par one cent). Price-To be supplied by amendment. Proceeds-For exploratory drilling and development in State of Israel, and for cperations and expenses, Underwriter-To be named by

People's Finance Corp., Denver, Colo.

March 23 filed 2,904 shares of 6% cumulative preferred stock. Price—At par (\$50 per share). Proceeds — For general corporate purposes. Underwriter--None. Company is also seeking registration of \$164,000 of debentures, notes and preferred and common stock heretofore sold and holders thereof are to be offered the right to rescind their purchases.

★ Philadelphia Electric Co. (6/10)

May 19 filed 944,952 shares of common stock (no par) to be offered for subscription by common stockholders of record June 7 at the rate of one new share for each 12 shares held; rights to subscribe on June 26. Price-To be supplied by amendment. Proceeds-For construction program. Underwriter-None. Drexel & Co., Philadelphia, Pa., and Morgan Stanley & Co., New York, will act as Dealer-Managers.

Phoenix Budget Loans, Inc.

May 4 (letter of notification) \$200,000 of 51/2% sub-May 4 (letter of notification) \$200,000 of 5.2% sub-ordinated debentures dated May 15, 1954, due 1956 to 1965, inclusive. **Price** — 97.98% to 100%, according to maturity. **Proceeds**—For working capital, etc. **Office**— Minneapolis, Minn. Underwriter — M. H. Bishop & Co., Minneapolis, Minn.

Phoenix Budget Loans, Inc., Minneapolis, Minn. May 4 (letter of notification) 4,000 shares of \$1.50 cumulative preferred stock, series A (no par). Price—\$24 per share. Proceeds — For general corporate purposes. Underwriter-M. H. Bishop & Co., Minneapolis, Minn.

Porta Co., Inc., Chestnut Hill, Mass.

April 8 (letter of notification) 640 shares of \$6 cumulative preferred stock (no par) and 640 shares of common stock (no par) to be offered in units of one share of each class of stock. Price—\$100 per unit. Proceeds— For manufacture of sporting goods. Office — 48 Moody St., Chestnut Hill, Mass. Underwriter — Minot Kendall

& Co., Inc., Boston, Mass.

\* Producers Corp., Bradford, Pa. May 17 (letter of notification) 8,000 shares of common stock to be offered first to stockholders of Producers Bank & Trust Co., Bradford, Pa., on a 1-for-1 basis. Price-At par (\$2.50 per share). Proceeds-To purchase property and erect building. Underwriter-None.

Hatery Start S. C. Loy Piergan Startey & Co.

Product Development Corp.
May 4 (letter of notification) 300,000 shares of common stock (par one cent). Price-\$1 per share. Proceeds-For working capital in the acquisition, manufacturing and distribution of products. Office—1511 Fox Building, 16th and Market Streets, Philadeiphia, Pa. Underwriter -A. J. Grayson, New York.

Pumice, Inc., Idaho Falls, Idaho March 29 (letter of notification) 1,170,000 shares of common stock (par 10 cents). Price—25 cents per share. Proceeds—To complete plant, repay obligations and for working capital. Office—1820 N. Yellowstone, Idaho Falls, Idaho. Underwriter - Coombs & Co., Salt Lake City, Utah.

Reliance Electric & Engineering Co. (6/3) May 14 filed \$5,000,000 20-year debentures due 1974. Price-To be supplied by amendment. Proceeds-To repay bank loans and for expansion program. Underwriter-Blyth & Co., Inc., New York and San Francisco,

Calif. Rio Grande Investment Co., Longmont, Colo. April 19 (letter of notification) 1,150 shares of common stock (no par) and 1,150 shares of 6% cumulative participating preferred stock (par \$100) to be offered in units of one share of each class of stock. Price-\$100 per unit. Proceeds - For operating expenses and to make loans. Business—Finance company. Address—P. O. Box 194, Longmont, Colo. Underwriter—William E. Conly,

Jr., Longmont, Colo. ★ Schoonover Oil Development Co., Bismarck, N. D. May 17 (letter of notification) 51,000 shares of common stock. Price-At par (\$1 per share). Proceeds-For prospecting and development. Address-Box 421, Bismarck, N. D. Underwriter-None.

• Scudder Fund of Canada, Ltd. (6/3)

May 12 filed 800,000 shares of common stock. Price-To provide the company wth initial investment funds of approximately \$24,000,000. Proceeds - For investment. Underwriter-Lehman Brothers, New York.

\* Searle (G. D.) & Co., Chicago, III.

May 20 (letter of notification) an undetermined number of shares of common stock to be offered to employees. Price-At less than market. Proceeds-For general expenses. Address-P. O. Box 5110, Chicago 80, Ill. Underwriter-None.

Shawano Development Corp. (Fla.) (6/2) April 23 (letter of notification) 83,000 shares of common stock (par \$1). Price-\$3 per share. Proceeds-For development of land and planting Ramie and for working capital. Underwriter - McGrath Securities Corp., New York.

★ Simplified Farm Record Book Co.
May 21 (letter of notification) \$135,000 of 11-year 6% subordinated debentures and 2,025 shares of common stock (par \$1). Price—Of debentures, at par; and of stock, \$7.50 per share. Proceeds—To finance expansion of business into new territory. Office—P. O. Drawer 1210, Chapel Hill, N. C. Underwriter—G. H. Walker & Co., Providence, R. I.

\* Southern Great Basin Oil & Gas, Inc.,

Las Vegas, Nev.

May 17 (letter of notification) 50,000 shares of common stock. Price—At par (\$1 per share). Proceeds—To complete well. Underwriter—Jock Hemingway, Hemingway Associates, Las Vegas, Nev.

• Southern Nevada Power Co. (6/7)

May 17 filed 250,000 shares of common stock (par \$5), of which 50,000 shares are to be sold for account of company and 200,000 shares for account of certain selling stockholders. Price - To be supplied by amendment. Proceeds-For construction program. Office-Las Vegas, Nev. Underwriters-William R. Staats & Co., Los Angeles, Calif.; Hornblower & Weeks, New York, and First California Co., Inc., San Francisco, Calif.

Southwestern Gas & Electric Co. (6/8)

May 14 filed \$10,000,000 first mortgage bonds, series F. due 1984. Proceeds-To repay \$7,500,000 bank loans and for construction program. Underwriter-To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Lehman Brothers; Blyth & Co., Inc.; Kuhn, Loeb & Co.; Merrill Lynch, Pierce, Fenner & Beane and Union Se-(jointly); Harriman Ripley & Co. Inc.; curities Corp. The First Boston Corp. Bids-To be received up to 11 a.m. (CDT) on June 8 at 20 No. Wacker Drive, Chicago 6, Ill.

Spokane Seed Co., Spokane, Wash. March 8 filed \$600,000 of 5% convertible debentures due June 15, 1964, to be sold to pea growers located in Eastern Washington and Northern Idaho. Price-100% of principal amount. Proceeds-To improve facilities and for working capital. Underwriter-None.

\* Stocking & Co., Inc., Rocky River, Ohio

May 18 (letter of notification) an unspecified number of participating units for investment in Commodity Futures Contracts. Price-\$1,000 per unit (after July 1, 1954, the price will be at the net asset value of the account). Proceeds—To finance the investment account. Office— 2694 Westmoor Road, Rocky River, O. Underwriter-

Strevell-Paterson Finance Corp.

Feb. 19 filed 640,000 shares of common stock (par 50 cents being offered in exchange for the \$300,000 par value of authorized, issued and outstanding capital stock of Strevell-Paterson Finance Co. on the basis (a) of 13 shares of Corporation stock for each of the 5,000 shares of 5% cumulative preferred stock (par \$10) of the Company and (b) 23 shares of Corporation stock for each of the 25,000 shares of \$10 par common stock of the company. Offer expires Oct. 31. Underwriter-None. Office-Salt Lake City, Utah. Statement effective

Sun Oil Co., Philadelphia, Pa.

April 15 filed a maximum of 139,662 shares of common stock (no par) to be offered for possible public sale during the period July 1, 1954 to June 30, 1955. Price-At market. Proceeds-To selling stockholders. Underwriter-None. The shares will be sold through brokerage houses.

Sun Oil Co., Philadelphia, Pa.

April 15 filed 14,000 memberships in the stock purchase plan for the employees of this company and its subsidiaries and 146,100 shares of common stock (no par), the latter representing the maximum number of shares which it is anticipated may be purchased by the trustees under the plan. Underwriter-None.

Taylorcraft, Inc., Conway, Pa.

April 30 (letter of notification) 150,000 shares of 6% cumulative convertible preferred stock, of which 100,-000 shares will be offered to public and 50,000 shares to creditors. Price-At par (\$2 per share). Proceeds-For working capital. Underwriter-Graham & Co., Pitts-

Three-In-One Gold Mines Corp., Reno, Nev.

May 3 (letter of notification) 1,993,333 1/3 shares of capital stock (par one cent). Price-15 cents per share. Proceeds-For mining expenses. Office-139 N. Virginia St., Reno, Nev.

Transportation Development Corp. (6/7)

April 26 filed 100,000 shares of common stock (par \$1). Price-\$6 per share. Proceeds-To finance the costs of obtaining contracts for the construction of the company's transportation system, for working capital and for other general corporate purposes. Underwriters-L. H. Rothchild & Co., New York.

★ Triad Transformer Corp., Venice, Calif.
May 18 (letter of notification) 20,000 shares of common stock (par \$5). Price-\$10 per share. Proceeds-To reduce bank loans and for working capital. Office-4055 Redwood Ave., Venice, Calif. Underwriter-None.

Trican Petro-Chemical Corp., Montreal, Canada. April 30 filed 500,000 shares of common stock (par \$1). Price - To be related to the market price at time of offering. Proceeds-For development costs and general corporate purposes. Underwriter - To be named by amendment.

United States Sulphur & Chemical Corp.,

Carson City, Nev. (6/10) April 30 filed 380,000 shares of common stock (par \$1). Price-\$2 per share. Proceeds - For acquisitions, exploration and development expenses, and for working capital. Underwriter-Vickers Brothers, New York.

★ United States Uranium Co., Denver, Colo. May 19 (letter of notification) 100,000 shares of com-

mon stock. Price-At par (\$2 per share). Proceeds-For exploration, development and operation of uranium mining properties and other minerals, and oil and gas. Office-505 Symes Bldg., Denver, Colo. Underwriter-

• United Utilities, Inc. (6/8)
May 19 filed 213,261 shares of common stock (par \$10) to be offered for subscription by common stockholders of record about June 8 on the basis of one new share for each six shares held; rights to expire on June 22. Price-To be supplied by amendment. Proceeds-To repay bank loans incured for construction requirements of subsidiaries and remainder to be advanced or invested in subsidiaries. Underwriter-Kidder, Peabody & Co., New York.

Vanadium Corp. of America (6/3)

May 14 filed \$5,000,000 of convertible subordinated debentures due June 1, 1969. Price-To be supplied by amendment. Proceeds - To repay \$3,250,000 of 31/2 % notes and for general corporate purposes. Underwriter -Kidder, Peabody & Co., New York.

Webb & Knapp, Inc., New York April 14 filed \$8,607,600 of 5% sinking fund debentures due June 1, 1974, being offered together with certain mon stock of Equitable Office Building Corp. on basis of \$5 in cash and \$7 principal amount of debentures for each share of Equitable stock. Exchange offer, which will expire any time after June 7, 1954, is conditioned solely upon acceptance by 80% of outstanding shares. Underwriter-None. Statement effective May 5.

\* Werner (R. D.) Co., Inc.

May 17 (letter of notification) 30,000 shares of common stock (par \$1). Price-\$10 per share (in blocks of not less than 50 shares each). Proceeds - To repay bank loans and for working capital. Business-Aluminum and stainless steel mouldings, aluminum ladders, sink frames, clothes dryers, etc. Office-Osgood Road, Greenville, Pa. Underwriter-None.

West Coast Pipe Line Co., Dallas, Tex.

Nov. 20, 1952 filed \$29,000,000 12-year 6% debentures due Dec. 15, 1964, and 580,000 shares of common stock (par 50 cents) to be offered in units of one \$50 debenture and one share of stock. Price-To be supplied by emendment. Proceeds-From sale of units and 1,125,000 additional shares of common stock and private sales of \$55,000,000 first mortgage bonds to be used to build a 1,030 mile crude oil pipeline. Underwriters — White, Weld & Co. and Union Securities Corp., both of New York. Offering-Postponed indefinitely.

West Coast Pipe Line Co., Dallas, Tex. Nov. 20, 1952 filed 1.125.000 shares of common stock (par 50 cents). Price-To be supplied by amendment. Pro-

ceeds-Together with other funds, to be used to build pipeline. Underwriters-White, Weld & Co. and Union Securities Corp., both of New York. Offering-Post-poned indefinitely.

West Ohio Gas Co., Lima, Ohio

May 10 (letter of notification) 22,386 shares of common stock (par \$5), to be offered to common stockholders of record May 15 in the ratio of one new share for each 15 shares held. Price—\$10 per share. Proceeds—For general corporate purposes. Office—319 West Market St., Lima, Ohio. Underwriter—None.

★ Western Plains Oil & Gas Co. (6/15)
May 24 filed 100,000 shares of common stock (par \$1). Frice-\$4.75 per share. Proceeds-To redeem 1,250 outstanding preferred shares (\$125,000), to repay bank loan, etc. (\$2,500); for purchase or acquisition of additional mineral interests, leases and royalties in the United States and Canada and for other corporate purposes. Office-Glendive, Mont. Underwriter-Irving J. Rice & Co., St. Paul, Minn.

Williston Basin Oil Ventures, Inc.

May 20 (letter of notification) 2,500,000 shares of common stock (par one cent). Price-Two cents per share. Proceeds — For exploration costs. Office — 420 Fidelity Bank Bldg., Oklahoma City, Okla. Underwriter—Tellier & Co., Jersey City, N. J.

Wynn Pharmacal Corp., Philadelphia, Pa.

May 17 (letter of notification) 100,000 shares of class B common stock (par 10 cents) and 10,000 shares of 8% non-cumulative preferred stock (par \$20) to be offered in units of one share of preferred and 10 shares of class B common stock. Price-\$30 per unit. Proceeds-For working capital, etc. Office-5119 West Stiles St., Philadelphia, Pa. Underwriter-None.

Wyoming Oil & Exploration Co., Las Vegas, Nev. April 29 filed 500,000 shares of common stock. Price— At par (\$1 per share). Proceeds-For exploration and development of oil and gas properties. Underwriter-

Wyton Oil & Gas Corp., Newcastle, Wyo.

April 20 filed 1,000,000 shares of common stock (par \$1). Price-\$1.121/2 per share. Proceeds-For general corporate purposes. Underwriter — National Securities Corp., Seattle, Wash., on a "best efforts basis."

# Prospective Offerings

American Natural Gas Co.

April 28 stockholders approved a proposal to increase the authorized common stock from 4,060,000 to 5,000,000 shares to enable the company to sell additional shares when necessary. Offering will probably be made to present stockholders. Proceeds-To subsidiaries for their construction programs. Underwriter-None.

Arkansas Louisiana Gas Co.

Feb. 22 it was reported Cities Service Co. may sell its holdings of 1,900,000 shares of this company's stock. If sold at competitive bidding, bidders may include Smith, Barney & Co. and Blyth & Co., Inc. (jointly).

Arkansas Power & Light Co.

Feb. 8 it was reported company plans to sell, probably in August, an issue of about \$7,500,000 first mortgage bonds due 1984. Underwriters - To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Lehman Brothers, Stone & Webster Securities Corp. and White, Weld & Co. (jointly); Blyth & Co., Inc., Equitable Securities Corp. and Central Republic Co. Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly).

Boston Edison Co.

May 24 company sought permission of Massachusetts Department of Public Utilities to issue and sell \$18,000-900 of first mortgage bonds due 1984. Proceeds - For construction program. Underwriters-To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Lehman Brothers; Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly); White, Weld & Co.; Harriman Ripley & Co. Inc. Offering—Tentatively expected in July. Stockholders will vote June 30 on approving bond issue.

Central Illinois Electric & Gas Co.

Dec. 9 it was announced company intends to offer and sell around the middle of 1954 an issue of \$4,000,000 first mortgage bonds. Proceeds-To repay bank loans and for new construction. Underwriters—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp.; Kidder, Peabody & Co. and White, Weld & Co. (jointly).

★ City Title Insurance Co., N. Y. C.

May 20, it was announced that company is planning to issue and sell not to exceed \$1,000,000 of new preferred stock. Proceeds-For working capital. Underwriter-Chilson, Newberry & Co., Inc., New York.

Colorado-Western Pipeline Co.

March 5 it was announced company has applied to Colorado P. U. Commission for authority to build a \$21,500,-000 natural gas pipe line, in Colorado, to be financed through sale of about 70% of bonds and 30% of equity capital. John R. Fell, a partner of Lehman Brothers, is a Vice-President.

Columbia Gas System, Inc.
March 5 it was announced that company plans early in June to issue and sell \$40,000,000 of senior debentures and an additional \$40,000,000 of senior debentures later in 1954. Proceeds-For construction expenses and to repay a bank loan of \$25,000,000. Underwriter-To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

Columbus & Southern Ohio Electric Co. April 29 it was announced company plans to raise \$15,-

000,000 this year to assist in financing its construction program which is estimated to cost \$23,100,000 in 1954. Underwriter-Dillon, Read & Co. Inc., New York.

Continental Commercial Corp.

May 17 it was reported company plans to issue and sell 80,000 shares of preferred stock (par \$10). Underwriter Van Alstyne, Noel & Co., New York.

Cott Beverage Corp.

May 5 it was reported 160,000 shares of common stock are to be publicly offered-100,000 shares for account of company and 60,000 shares for selling stockholders. Price —In neighborhood of \$10 per share. Proceeds—For general corporate purposes. Underwriter—Ira Haupt & Co., New York. Registration-Expected in June, 1954.

**Eastern Utilities Associates** 

April 30 trustees authorized issuance of additional common stock (par \$10) to present stockholders on a basis not greater than one new share for each 12 shares held. Proceeds-To pay off \$2,000,000 of bank loans. Offering -Expected not later than Oct. 1, 1954; probably early this summer.

First National Bank of Toms River, N. J.

May 14 stockholders of record May 1, 1954 were given the right to subscribe for an additional 3,000 shares of capital stock (par \$10) on the basis of one new share for each 26 shares held; rights to expire on June 16. Price—\$50 per share. Proceeds—To increase capital and surplus. Underwriter-None.

First Trust & Deposit Co., Syracuse, N. Y.

May 9 it was announced company plans to offer to common stockholders 200,000 shares of new cumulative convertible preferred stock on the basis of six preferred shares for each 10 common shares held. Proceeds-To retire, in part, outstanding class A preferred stock held Reconstruction Finance Corporation. Underwriter-William N. Pope, Inc., Syracuse, N. Y.

Florida Power Corp.

March 27, it was announced that the company plans new financing late this summer which would require issuance of common stock and probably \$10,000,000 of bonds. Proceeds — For new construction. Underwriters — For common stock (first to common stockholders), Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly). For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Lehman Brothers; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly). Common stock was increased by stockholders on March 25 from 2,500,000 shares to 5,000,000 shares, and the preferred stock from 250,000 shares to 500,000 shares.

#### Florida Power & Light Co.

Jan. 25 it was reported company may later this year issue and sell about \$15,000,000 of first mortgage bonds. Underwriters—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane; Glore, Forgan & Co. and Harriman Ripley & Co. Inc. (jointly).

General Acceptance Corp.

March 22 it was reported company plans registration, in near future, of \$4,000,000 convertible debentures due 1984 (with warrants). Underwriter-Paine, Webber, Jackson & Curtis.

\* Hercules Cement Corp. (6/15)

May 20 it was announced company plans early registration of 40,000 shares of common stock to be offered for subscription by common stockholders of record June 15 on the basis of one new share for each four shares held; rights to expire on June 29. Proceeds—For expansion and modernization. Underwriter-Stroud & Co., Inc., Philadelphia, Pa.

Indiana & Michigan Electric Co.

Jan. 27 it was announced company plans to sell around November, 1954, an issue of about \$16,500,000 first mortgage bonds due 1984 and 40,000 shares of cumulative preferred stock (par \$100). Underwriter - To be deermined by competitive bidding. Probable bidders: For bonds-Halsey, Stuart & Co. Inc.; Union Securities Corp., Goldman, Sachs & Co. and White, Weld & Co. (jointly); The First Boston Corp.; Harriman Ripley & Co. inc.; Kuhn, Loeb & Co.; (2) for preferred—The First Boston Corp.; Smith, Barney & Co.; Lehman Brothers; Union Securities Corp.

Kansas City Power & Light Co.

March 8 it was announced that company may sell in the latter part of 1954 \$16,000,000 first mortgage bonds. Preceeds - To repay bank loans and for new construction. Underwriters-To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Bear, Stearns & Co. (jointly); Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Glore, Forgan & Co.; Blyth & Co., Irc. and The First Boston Corp. (jointly); White, Weld & Co. and Shields & Co. (jointly); Harriman Ripley & Co., Inc., Equitable Securities Corp. Meeting-Stockholders on April 27 aprpoved new financing.

Libby, McNeill & Libby

May 20 stockholders approved a proposal to authorize an issue of 100,000 shares of cumulative preferred stock (par \$100), and to provide that this stock may be issued, without first being offered to common stockholders. Underwriters-May be Glore, Forgan & Co., New York.

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Long Island Lighting Co.

April 20 it was announced company plans later in 1954 to issue \$20,000,000 mortgage bonds. Proceeds—To finance construction program. Underwriter—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; W. C. Langley & Co.; Blyth & Co., Inc. and The First Boston Corp. (jointly); Smith Barney & Co.

· Long Island Lighting Co.

May 21 company announced plans to offer rights to common stockholders early in July to subscribe to 690,062 new common shares on a one-for-eight basis. Proceeds—For new construction. Underwriters—Blyth & Co. Inc., The First Boston Corp. and W. C. Langley & Co. (jointly). Registration—Expected in June.

Louisville & Nashville RR.

Nov. 12 it was reported that the company may issue and sell an issue of bonds late in 1954. Proceeds—To retire \$24,610,000 Atlanta, Knoxville & Cincinnati Division 4% bonds due May 1, 1955, and for general corporate purposes. Underwriters—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; White, Weld & Co. and Salomon Bros. & Hutzler (jointly).

Maine Public Service Co.

May 10 it was reported company plans early registration statement of about 30,000 shares of cumulative preferred stock (par \$20). Proceeds—To repay bank loans and for new construction. Underwriters—Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co., both of New York.

Merritt-Chapman & Scott Corp. (6/25)

April 23 it was announced company plans to offer additional common stock (about 281,432 shares) to stock-holders of record June 25, 1954 on a one-for-five basis (with an oversubscription privilege); rights to expire on July 19. **Proceeds**—For expansion and working capital. **Underwriter**—None.

Metropolitan Edison Co.

Dec. 16 it was reported company may sell in 1954 about \$3,500,000 first mortgage bonds due 1984. Proceeds—For construction program. Underwriters—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co., Inc.; White, Weld & Co.; Kidder, Peabody & Co and Drexel & Co. (jointly); Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly).

#### Montana-Dakota Utilities Co.

March 17 it was reported that company plans to issue and sell late this year some additional first mortgage bonds. Proceeds—To repay bank loans and for new construction. Underwriter—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co Inc.; Blyth & Co., Inc., White, Weld & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Blair, Rollins & Co. Inc.

#### National Fuel Gas Co.

April 1 it was reported company plans to offer about 400,000 shares of capital stock (no par) for subscription by stockholders later this year or early next year. Stockholders on April 29 approved a proposal to increase the authorized capital stock from 4,000,000 to 6,000,000 shares. Proceeds—For new construction. Underwriter—Dillon, Read & Co., New York, handled secondary offering in 1943.

#### New England Electric System

April 29 it was announced company plans to offer to its common stockholders next Fall additional common stock on a 1-for-10 basis. There are outstanding 9,108,824 common shares. Proceeds — For construction program of subsidiaries. Underwriters — To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc., Lehman Brothers and Bear, Stearns & Co. (jointly); Carl M. Loeb, Rhoades & Co., Ladenburg, Thalmann & Co. and Wertheim & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly).

#### New Jersey Power & Light Co.

Dec. 16 it was reported this company tentatively plans issue and sale in 1954 of about \$3,000,000 first mortgage bonds due 1984. Proceeds—To repay bank loans and for new construction. Underwriters—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Lehman Brothers (jointly); Equitable Securities Corp.; Union Securities Corp. and White, Weld & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane.

#### New Orleans Public Service Inc.

Feb. 8 it was reported company plans to offer for sale \$6,000,000 of first mortgage bonds due 1984 late this year. Underwriters—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Union Securities Corp. and Harriman Ripley & Co. Inc. (jointly); Lehman Brothers: Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly); The First Boston Corp.; White, Weld & Co.

#### Northern States Power Co. (Minn.)

Feb. 8 it was reported company is planning the issuance and sale of approximately \$20,000,000 of first mortgage bonds due 1984 in October of 1954. Underwriters — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Riter & Co. (jointly); Smith, Barney & Co.; Glore, Forgan & Co.; Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly);

Equitable Securities Corp. and Union Securities Corp. (jointly); Kuhn, Loeb & Co., A. C. Allyn & Co. Inc. and Wertheim & Co. (jointly).

#### Otter Tail Power Co.

April 12 stockholders voted to increase the authorized common stock from 750,000 shares to 1,000,000 shares in order that the company be prepared for possible future financing. Underwriter—May be Glore, Forgan & Co., New York City.

#### • Panhandle Eastern Pipe Line Co. (6/23)

May 12 company applied to Missouri P. S. Commission for authority to issue and sell \$25,000,000 of 25-year debentures due 1979. Proceeds—For expansion. Underwriters—May be Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane, and Carl M. Loeb, Rhoades & Company. Registration—Expected May 28. Bids—To be received about June 23.

Pembina Pipe Line Co. (Canada)

April 14 it was announced company has been granted the right to obtain a permit to build a 72-mile pipe line to transport crude oil from the Pembina Oil Field in Alberta to Edmonton. Financing will be handled jointly by Mannix Ltd. of Calgary, Dome Exploration (Western) Ltd. of Toronto, and Carl M. Loeb. Rhoades & Co. of New York.

#### Peoples Gas Light & Coke Co.

May 10 it was reported company plans the sale of \$40,-000,000 first and refunding mortgage bonds. Proceeds—To refund series F and series H bonds. Underwriter—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Kuhn, Loeb & Co. Offering—Expected in July or August, 1954.

#### Public Service Co. of Colorado

April 12 it was reported company plans to finance its 1954 construction program through temporary bank loans, with permanent financing delayed until later in the year. Previously, the company had planned to float an issue of \$15,000,000 first mortgage bonds, due 1984. early in 1954. Underwriters—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc., Kuhn, Loeb & Co.; The First Boston Corp.; Harris, Hall & Co. Inc.; Harriman Ripley & Co., Inc. and Union Securities Corp. (jointly); Lehman Brothers; Kidder, Peabody & Co.; Blyth & Co., Inc. and Smith, Barney & Co. (jointly).

#### Public Service Co. of New Hampshire

May 7 preferred stockholders approved a proposal to increase the authorized preferred stock from 160,-000 shares to 300,000 shares, of which it is planned to issue not in excess of 75,000 shares. Proceeds—To refund outstanding 50,000 shares of 5.40% preferred stock and for new construction. Underwriter—If through competitive bidding, bidders may include Kidder, Peabody & Co. and Blyth & Co., Inc. (who made the only bid in June, 1952, for the 5.40% issue, which was rejected); R. W. Pressprich & Co. and Spencer Trask & Co. (who were awarded that issue in July, 1952, on a negotiated basis.

#### Puget Sound Power & Light Co.

April 5 the directors approved a program designed to refund the company's long-term debt. Bidders may include Halsey, Stuart & Co. Inc.; Lehman Brothers; Stone & Webster Securities Corp.

#### Resources of Canada Investment Fund, Ltd.

April 27 the SEC authorized the company to register as an investment concern and to make a public offering of securities in the United States.

#### Rochester Gas & Electric Corp.

May 17 it was reported company may issue and sell this year some additional bonds and preferred stock. Proceeds — For new construction. Underwriters — (1) For bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Salomon Bros. & Hutzler; Shields & Co.; Blyth & Co., Inc.; The First Boston Corp.; Union Securities Corp. and Equitable Securities Corp. (jointly). (2) For preferred stock, The First Boston Corp.

#### Rockland Light & Power Co.

April 1, Rockwell C. Tenney, Chairman of the Board, announced that the 1954 construction program, estimated at \$14,000,000, will require further financing. Common stock financing to stockholders in 1953 was underwritten by Merrill Lynch, Pierce, Fenner & Beane. An issue of \$8,000,000 bonds were also sold last year at competitive bidding, with the following making bids: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Kuhn, Loeb & Co.; Stone & Webster Securities Corp.; The First Bostön Corp. and Salomon Bros. & Hutzler (jointly); Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane.

St. Joseph Light & Power Co.

March 30, C. A. Semrad, President, announced that the company may raise new money this year through the sale of \$1,000,000 first mortgage bonds or from temporary bank loans for its 1954 construction program, which, it is estimated, will cost \$1,661,000. Underwriters—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Smith, Barney & Co., and Glore, Forgan & Co. (jointly); Union Securities Corp.; White, Weld & Co.; Equitable Securities Corp.

#### San Diego Gas & Electric Co.

April 28 it was reported company plans to offer late in 1954 (probably first to stockholders) 800,000 shares of additional common stock. Underwriter — Blyth & Co., Inc., San Francisco and New York.

Scott Paper Co.

April 27 stockholders approved proposals which increased the authorized common stock from 5,000,000 to 10,000,000 shares and the authorized indebtedness of the company from \$25,000,000 to \$50,000,000. The company has no specific financing program. Underwriters—Previous offering of \$24,952,800 3% convertible debentures, in September, 1953, was underwritten by Drexel & Co., Smith, Barney & Co. and Merrill Lynch, Pierce, Fenner & Beane.

Southern Colorado Power Co.

May 14 stockholders were to approve a proposal to create an issue of 50,000 shares of preferred stock (par \$50) and to increase the authorized common stock from 1,000,000 shares to 1,200,000 shares. It is planned to raise about \$3,500,000 through issuance and sale of new securities. Underwriters—May be Hutchinson & Co., Pueblo, Colo.; and Boettcher & Co. and Bosworth, Sullivan & Co., both of Denver, Colo.; who underwrote common stock offering to stockholders in 1948; subsequent common stock financing was not underwritten.

Southern New England Telephone Co.

March 26 it was reported company, in addition to debenture financing, plans to issue and sell to its stockholders about \$10,000,000 of additional common stock (par \$25). Underwriter—None.

Southern Utah Power Co.

May 10 company applied to FPC for authority to issue and sell 13,135 shares of common stock (par.\$10) to common stockholders on the basis of one new share for each six shares held. Price—To be named later. Proceeds—To repay bank loans. Underwriters—Smith, Polian & Co., Omaha, Neb.; Glidden, Morris & Co., New York; and C. D. Robbins & Co., Newark, N. J., who handled previous underwriting in 1951.

#### • Tennessee Gas Transmission Co. (6/21)

May 24 it was reported company plans issuance and sale of \$25,000,000 of first mortgage pipe line bonds in June and \$20,000,000 of debentures later in 1954. Proceeds—For new construction. Underwiters—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp. and White, Weld & Co. (jointly). Bids—For bonds, expected around June 21.

Texas International Sulphur Co., Houston, Texas April 28 it was reported company plans to do some additional financing in the near future. Underwriter—May be Vickers Brothers, New York.

#### Trans-Canada Pipe Lines, Ltd.

March 26 it was annouced that the cost of the building of the proposed cross-Canada gas pipeline would be approximately \$292,000,000. which would be financed through the issuance of about \$36.500,000 each of common stock and debentures and \$219,000,000 of first mortgage bonds. Underwriters—Lehman Brothers and Wood, Gundy & Co., Inc., both of New York.

#### Transcontinental Gas Pipe Line Corp.

March 16 it was reported company plans later this year to do some permanent financing to repay temporary bank loans necessary to bay for new construction estimated to cost about \$11.000 000 for 1954. Underwriters—White, Weld & Co. and Stone & Webster Securities Corp., both of New York.

#### Tri-Continental Corp.

March 30 stockholders voted to reclassify 500 000 shares of presently authorized but unissued \$6 cumulative preferred stock, without par value, into 1.000,000 shares of a new class of preferred stock, \$50 par value, making possible a refunding of the outstanding \$6 preferred stock at an appropriate time, when conditions warrant. Underwriter—Union Securities Corp., New York.

#### Ultrasonic Corp.

May 17 it was reported company plans to offer some new securities to provide working capital. Details not yet available.

#### United Gas Improvement Co. (7/12-16)

May 11 it was reported company may issue and sell \$10,000,000 of first mortgage bonds due 1979. Underwriter — To be determined by competitive bidding. Probable bidders: Halsev, Stuart & Co. Inc.: Blyth & Co., Inc.: Kidder, Peabody & Co.; Morgan, Stanley & Co. and Drexel & Co. (jointly): The First Boston Corp.; Blair, Rollins & Co. Inc. Registration—Expected about June 15 to June 18. Bids—Tentatively set for week of July 12.

#### West Coast Transmission Co.

Oct. 14, 1953, it was announced company now plans to issue \$29.000.000 in 1-to-5½-year serial notes; \$71.000,000 in 20-year, first mortgage bonds; and \$24.440.000 in subordinated long-term debentures and 4.100,000 shares of common stock to be sold to the public. **Proceeds—To** finance construction of a natural gas pipe line from the Canadian Peace River field to western Washington and Oregon. **Underwriter—Eastman**, Dillon & Co., New York.

#### Western Pacific RR. Co.

March 10 company applied to the ICC for exemption from competitive hidding on its proposed \$22.500.000 debenture issue. The 30-year 5% income securities, would be offered in exchange for 225.000 of \$100 par preferred stock, of the more than 300.000 shares outstanding. The company plans to offer \$100 of debentures, one-fifth of a share of common, and an undetermined cash payment for each share of preferred stock and then redeem the then remaining outstanding 83,211 shares of preferred stock.



199TH PREFERRED DIVIDEND

A quarterly dividend of 11/2% (\$1.50 share) has been declared upon the Preferred Stock of THE AMERICAN TOBACCO COMPANY, payable in cash on July 1, 1954, to stockholders of record at the close of business June 10, 1954. Checks will be mailed.

HARRY L. HILYARD, Treasurer May 25, 1954

#### Allegheny Ludium Steel Corporation Pittsburgh, Pa.

At a meeting of the Board of Directors the Allegheny Ludium Steel Corporation neld today, May 20, 1954, addividend of fifty cents (50c) per share was declared on the Common Stock of the Corporation, payable June 36, 1954, to Common stock-holders of record at the close of business on June

1954 The Board also declared a dividend of one dollar nine and three-eights cents (\$1.09375) per share on the \$4.375 Cumulative Preferred Stock of the Corporation, payable June 15, 1954, to Preferred stock-holders of record at the close of business on June 1, 1954

S. A. McCASKEY, JR.

### AMERICAN STORES COMPANY

143rd Dividend

The Board of Directors on May 19, 1954 declared a regular quarterly dividend of 50c per share, payable July 1, 1954 to stockholders of record June 1, 1954. JOHN R. PARK Vice President and Treas.



cme Super Markets



The Board of Directors Arundel Corporation has this day (May 25, 1954) declared thirty-five cents per share as a quarterly dividend, on the no par value stock of the corporation, issued and outstanding, payable on and after July 1, 1954, to the stockholders of record on the corporation's books at the close of business June 15, 1954.

> MARSHALL G. NORRIS, Secretary.

Bayuk Cigars Inc.

A dividend of fifteen cents (15¢) per share on the Common Stock of this Corporation was declared payable June 16, 1954, to shareholders of record June 1, 1954. Checks will be mailed.

> A. WEDEMEYER TREASURER

Philadelphia, Pa. May 21, 1954

PHILLIES

America's Nº1 cigar

#### DIVIDEND NOTICES

THE GAULEY MOUNTAIN COAL COMPANY DIVIDEND NOTICE

At a meeting of the Board of Directors of The Gauley Mountain Coal Company held May 24, 1954, a dividend of 50c per share on the Capi-tal Stock of the Company was declared pay-able June 10, 1954 to shareholders of record at the close of business June 1, 1954.

DOROTHY A. BRITNELL, Treasurer.



71st Dividend Common Stock

#### AMERICAN EXPORT LINES, INC.

The Board of Directors of American Export Lines, Inc., at a meeting held May 19, 1954, declared a quarterly dividend of thirty-seven and one-half cents (\$.37\%\_0\$) per share on the Common Stock, payable June 15, 1954, to stockholders of record June 1, 1954.

C. J. Kinney Vice-President, Secretary-Treasurer Aay 19, 1954

IBM INTERNATIONAL BUSINESS MACHINES CORPORATION 590 Madison Ave., New York 22

The 157th Consecutive Quarterly Dividend

The Board of Directors of this Corporation has this day declared a dividend of \$1.00 per share, payable June 10, 1954, to stockholders of record at the close of business on May 18, 1954. Transfer books will not be closed, Checks prepared on IBM Electric Punched Card Accounting Machines will be mailed. ing Machines will be mailed.
A. L. WILLIAMS, Vice Pres. & Treasurer A. L. WI April 27, 1954

#### KENNECOTT COPPER CORPORATION

161 East 42d Street, New York, N.Y.

May 21, 1954

A cash distribution of One Dollar and Twenty-five Cents (\$1.25) a share has been declared today by Kennecott Copper Corporation, payable on June 28, 1954, to stockholders of record at the close of business on June 2, 1954.

ROBERT C. SULLIVAN, Secretary 



COMMERCIAL SOLVENTS

Corporation

DIVIDEND No. 78

A dividend of twenty-five cents (25c) per share has today been declared on the outstanding common stock of this Corporation, payable on June 30, 1954, to stockholders of record at the close of business on June 4, 1954.

A. R. BERGEN, Secretary.

May 24, 1954.



CORPORATION OF AMERICA 180 Madison Avenue, New York 16, N.Y.

THE Board of Directors has this day declared the following dividends: 41/2% PREFERRED STOCK, SERIES A

The regular quarterly dividend for the current quarter of \$1.12½ per share, payable July 1, 1954, to holders of record at the close of business June 7, 1954.

7% SECOND PREFERRED STOCK The regular quarterly dividend for the current quarter of \$1.75 per share, payable July 1, 1954, to holders of record at the close of business June 7, 1954.

COMMON STOCK

12½ cents per share payable June 24, 1954, to holders of record at the close of business June 7, 1954.

R. O. GILBERT e Secretary

May 25, 1954.

#### DIVIDEND NOTICES

#### GEORGE W. HELME COMPANY

9 Rockefeller Plaza, New York, N. Y. On May 26, 1954, quarterly dividends of 43% cents per share on the Preferred Stock and 40 cents per share on the Common Stock were declared, payable July 1, 1954, to stock-holders of record at the close of business June 7, 1954 were declared, holders of re June 7, 1954.

J. P. McCAULEY, Secretary.

HOMESTAKE MINING COMPANY DIVIDEND NO. 892 The Board of Directors has declared Dividend No. 892 of forty cents (\$.40) per share of \$12.50 par value Capital Stock, payable June 11, 1954, to stockholders of record June 1, 1954 Checks will be mailed by Irving Trust Com-pany, Dividend Disbursing Agent.

JOHN W. HAMILTON, Secretary.



Dividend No. 97 A Dividend No. 97 of Forty Cents (\$.40) on the Common Stock has been declared, payable July 1, 1954, to stockholders of record June 15, 1954.

M. B. LOEB, President Brooklyn, N. Y.



#### INTERNATIONAL HARVESTER COMPANY

The Directors of International Harvester Company have declared quarterly dividend No. 157 of fifty cents (50¢) per share on the common stock payable July 15, 1954, to stockholders of record at the close of business on June 15, 1954.

GERARD J. EGER, Secretary

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#### INTERNATIONAL SALT COMPANY

**DIVIDEND NO. 160** 

A dividend of FIFTY CENTS a share has been declared on the capital stock of this Company, payable July 1, 1954, to stockholders of record at the close of business on June 15, 1954. The stock transfer books of the Company will not be closed.

HERVEY J. OSBORN

Exec. Vice Pres. & Sec'y. \*

### UNITED GAS

CORPORATION SHREVEPORT, LOUISIANA

**Dividend Notice** 

The Board of Directors has this date declared a dividend of thirty-one and one-quarter cents (3114¢) per share on the Common Stock of the Corporation, payable July 1, 1954, to stock-holders of record at the close of busiess on June 10, 1954.

B. H. WINHAM May 26, 1954 Secretary



North Miami, Florida

The Board of Directors of Ludman Corporation has declared the usual quarterly dividend of 10c per share to stockholders of record June 15, 1954, payable June 30th, 1954.

Ludman Corporation has paid quarterly dividends without interruption since its first public offering.

> MAX HOFFMAN President

#### DIVIDEND NOTICES

#### Newmont Mining Corporation

Dividend No. 104

On May 25th, 1954 the Directors of Newmont Mining Corporation declared a regular dividend of 50e per share on the 2,658,230 shares of its Capital Stock now outstanding, payable June 15th, 1954 to stockholders of record at the close of business June 4th, 1954,

WILLIAM T. SMITH, Treasurer New York, N. Y., May 25th, 1954.



## THE SAFETY CAR HEATING AND LIGHTING COMPANY, INC.

DIVIDEND NO. 228

The Board of Directors has declared a dividend of 25¢ per share on the outstanding Capital Stock of the Company of the par value of \$12.50 per share, payable July 1, 1954, to holders of record at the close of business June 1, 1954.

May 19, 1954

Treasurer

May 19, 1954



#### SOUTHERN PACIFIC COMPANY **DIVIDEND NO. 146**

A QUARTERLY DIVIDEND of Seventy-five Cents (\$.75) per share on the Common Stock of this Company has been declared payable at the Treasurer's Office, No. 165 Broadway, New York 6, N. Y. on June 21, 1954, to stockholders of record at the close of business

E. J. GOODWIN, Treasurer New York, N. Y., May 20, 1954.



#### REYNOLDS METALS COMPANY

Reynolds Metals Building Richmond 19, Virginia

#### COMMON STOCK

A dividend of five percent (5%) on the outstanding common stock of the Company, has been declared payable July 2, 1954, in common stock of the Company, to holders of record at the close of business June 16, 1954. Scrip certificates will be issued for resulting fractional shares.

The transfer books will not be closed. Resulting stock and scrip certificates will be mailed by Bank of the Manhattan Company.

ALLYN DILLARD, Secretary Dated, May 20, 1954



### REYNOLDS METALS COMPANY

Reynolds Metals Building

#### Richmond 19, Virginia COMMON DIVIDEND

A dividend of twenty-five cents (25¢) a share on the outstanding common stock has been declared payable July 1, 1954, to holders of record at the close of business June 14, 1954. dividend of twenty-five cents

The transfer books will not be closed. Checks will be mailed by Bank of the Manhattan Company. ALLYN DILLARD, Secretary

Dated, May 20, 1954

z...... MERCK & CO., Inc. 3



Quarterly dividends of 20% a share on the common stock, 871/2° a share on

RAHWAY, N. J.

the \$3.50 cumulative preferred stock, \$1.00 a share on the \$4.00 convertible second preferred stock, and \$1.061/4 a share on the \$4.25 second preferred stock have been declared, payable on July 1, 1954 to stockholders of record at the close of business June 11, 1954.

JOHN H. GAGE, May 25, 1954 Treasurer 

#### DIVIDEND NOTICES

#### Tennessee Gas Transmission Company

DIVIDEND NO. 27

The Board of Directors has declared a quarterly dividend of 35e per share on the Common Stock, payable July 1, 1954 to stockholders of record on June 4, 1954.

> J. E. IVINS, Secretary.





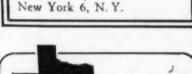
### TENNESSEE CORPORATION

May 17, 1954

A dividend of fifty (50¢) cents per share has been declared payable June 30, 1954, to stockholders of record at the close of business June 9, 1954.

JOHN G. GREENBURGH Treasurer. 61 Broadway

TEXAS UTILITIES



### DIVIDEND NOTICE

The Board of Directors today declared a dividend of 52 cents per share on the Common Stock of the Company, payable July 1, 1954 to stockholders of record at the close of business June 1, 1954.

> D. W. JACK Secretary

COMPANY

May 21, 1954.



### Southern California Edison Company

DIVIDENDS

ORIGINAL PREFERRED STOCK DIVIDEND NO. 180

CUMULATIVE PREFERRED STOCK 4.32% SERIES DIVIDEND NO. 29

The Board of Directors has authorized the payment of the following quarterly dividends: 50 cents per share on Original Preferred Stock;

27 cents per share on Cumulative Preferred Stock, 4.32%

The above dividends are payable June 30, 1954 to stockholders of record June 5, 1954. Checks will be mailed from the Company's office in Los Angeles, June 30, 1954.

P. C. HALE, Treasurer

May 21, 1954

# Washington . . .

Behind-the-Scene Interpretations from the Nation's Capital And You

WASHINGTON, D. C .- A big build-up is getting organized to sell Congress and the country on a large-scale program of Federal aid for the construction of school buildings.

Start of the build-up was House passage of a resolution authorizing the President to call a President's Conference on Education not later than November, 1955. Senate passage of this resolution is anticipated.

While the President proposed Federal aid for school construction in his Annual Message to Congress last January, the White House decided not to follow through this year. Mrs. Olveta Culp Hobby, the Welfare Secretary, said that she did not think Congress should pass such a program at this time until the subject had been studied more carefully.

So the President, after the resolution is passed, will call upon each State governor to set up a state conference on educational problems, to precede the national conference to be held in the fall of 1955.

Literally the resolution does not state that the aim of this program is to call for Federal aid for school construction. In theory the idea is that (a) there is a problem of providing adequate education in view of the war-stimulated birth rates, and (b) the "proper" roles variously of Federal, State and local Governments should be surveyed.

However, in the pedagogical racket the proper role of the Federal Government is to provide money, and the proper role of State and local governments is to spend it. Although most States balance their budgets and the Federal Government does not, the States are supposed to be incapable of expanding adequately the sums they raise for education. No State government has the power to manufacture money in the same way as the Federal Gov-

#### Big Problem Is Money

Ask any educator what the dominant problem in public education is and he will come forward inavariably with one answer, to wit, "money."

As the House debate on this resolution showed, there are few in Congress who feel that the Federal Government has any role in public education

#### SITUATIONS WANTED

#### Marketing Student

Graduating Columbia Graduate Business School June 1955 seeking summer employment. Box R-429, Commercial & Financial Chronicle, 25 Park Place, New York 7.

### **EXECUTIVE SEEKS POSITION**

Ex-naval officer with broad administrative experience, ability, mature judgment, and ambition seeks position with a firm of responsibility and expansion plans that cannot fill this need from within present organization. 36 years, married, 4 childrenpresently employed. Box C 520, Commercial & Financial Chronicle, 25 Park Place, New York 7.

other than to provide money. Furthermore, few members are enthusiastic about the idea of a Federal educational aid program of any kind, for they fear that the granting of money will inevitably be followed by the assumption of Federal control.

However, since the Eisenhower Administration wanted this resolution passed, they passed it.

Without any Congressional resolution the President has all the power he needs to call any kind of a conference he wants to on anything, from the problem of promoting foreign trade to the problem of mistreatment of animals. He did not need a Congressional resolution to call "President's Conference on Education."

When it is held, this conference will mobilize the propaganda and statistics all designed to show the crying inadequacy of funds for public education, spelled down into details by State, city, and county. If such and such a school aid program is passed, then your city and your county can get that long delayed new high school, plus so many new elementary school buildings.

The propaganda and the program will break just in time to plunge it into the middle of the 1956 election campaign. It will be a courageous political party or courageous candidate for House or Senate who will record himself as opposed to that new high school and those new elementary schools for his constituents. After all, didn't Congress by resolution call upon the President to summon a national conference on education?

#### Federal Aid Already Is Large

Ever since early in World War II the Federal Government has been making large grants for both construction and maintenance of local public schools, During World War II this was carried on under what was known as the "Lanham Act," and was for the purpose of bailing out municipalities whose need for education and other local facilities was enormously expanded by the inmigration of people to defense and military areas.

Office of Education people claim they have no compilation of the sums spent for local public schools under the Lanham Act. However, with Korea came more of the same. The Lanham Act was for bailing out municipalities in what was known as Federally "impacted" areas. Under the version that came with Korea, these are known as Federally "affected" areas.

Beginning with 1951 and including amounts requested by the Eisenhower Administration, Congress will have appropriated \$520.5 million to give to states for school construction in Federally "affected" areas, and furthermore has appropriated \$271,620,000 for the states to spend as they please in oper-

ating expenses for such schools. Then, too, the Housing and Home Finance Agency is merrily pouring out funds in the form of long-term loans for college and university dormi-tories. HHFA's latest announced loan approvals were for \$2,856,-000 to house women teacher students in Indiana, and another loan of \$504,000 to a denomina-

### **BUSINESS BUZZ**



"Sir—There's a gentleman out here—wants to know how much elasticity our suspenders are supposed to contain?"

tional college in Iowa. Against the \$504,000 of Federal funds, the college is putting up \$15,500.

This subsidizing of school housing came as part of the Defense Housing Act of 1951. The "defense" purpose was that colleges and universities were training various Reserve Officer Training Corp students.

However, very quietly the Eisenhower Administration, by an order of its own, removed this restriction so Federal funds cant go on an easy loans basis for any kind of students.

However, the Eisenhower Administration did bring in one innovation. It said that with these college housing loans it will put an offer to buy bonds for this purpose at a range of 3.5 to 3.6% and that if they can be sold privately at such terms, the college must borrow pri-

#### Corporate Speed-Up Likely to Stay in

In the final version of the tax revision bill, it is expected that the corporation tax payment speed-up will be retained.

This is the provision which requires that from fiscal 1955 through 1959, corporations each year will be paying 110% of their tax liabilities. After 1959 corporations will be again paying taxes in four equal quarterly instalments. However, including the Democratic speedup plan, by 1959 corporations will have paid 11 years of taxes in 10 years.

One thing which helped allay

the opposition to this scheme was the fact that the Treasury threw dust in the eyes of those inquiring about it, claiming last fall that no such plan was being considered. Subsequently, the Treasury quietly but most vigorously pressed it in execu-tive session before the House Ways and Means Committee. It was approved reluctantly, and under Treasury pressure, by that Committee before opposition knew it was on the way.

As to whether it could be killed, one definitely conservative and politically hard-headed Senator explained it this way:

"Individuals with the withholding tax now pay taxes currently. Even though this becomes for five years in effect a 20% tax boost for corporations, it would take a lot of explaining to oppose it. I think we had better save our political necks for some of the worse attacks of the 'liberal' dema-

#### **Dodd Reports On Foundations**

Norman Dodd, research director for the Special House Committee to Investigate Tax Exempt Foundations, has written one of the clearest reports of any Congressional Committee to kick off the Committee's public hearings. It tained by writing to Mr. Dodd, c/o B. Carroll Reece, Chairman, U. S. House of Representatives, Washington, D. C.

While reporting that the great majority of tax exempt foundations are patriotic and useful, Mr. Dodd contends that these

foundations tend to expend their research and educational funds according to channels prescribed educationists. Mr. Dodd traces the inter-relationship of leading educational societies, and contends that from 1933 on the drift of educational philosophy had been to emphasize collective and governmental solutions of all problems, as against dependence upon individual freedom.

[This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.]

# Business Man's Bookshelf

Economic Myths of Early Capitalism—F. A. Hayek—Founda-tion for Economic Education, Inc., Irvington-on-Hudson, N. Y. (paper), single copy free; quantity prices on request.

Industrial Pensions - Charles L. Dearing—The Brookings Institution, Washington 6, D. C. (cloth) \$3.75.

Manual of Excellent Manage-ments: 1954 edition—American Institute of Management, 125 East 38th Street, New York 16, N. Y. (cloth).

New Tea Story — Anthony Hyde —Tea Council of the U. S. A. Inc., 500 Fifth Avenue, New York 36, N. Y. (paper).

New York Laws Affecting Business Corporations Revised to April 20, 1954 — United States Corporation Company, 160 Broadway, New York 38, N. Y. (paper) \$2.50.

Our Vital Stake in Venezuela-Creole Petroleum Corporation, 350 Fifth Avenue, New York 1,

Present Day Banking 1954: A Treasury of Widely Useful Banking and Business Research. - American Bankers Association, 12 East 36th Street, New York 16, N. Y. (cloth).

Trends in Consumer Finance -Dr. M. R. Neifeld-Mack Publishing Company, Easton, Pa. (cloth, in durable case) \$6.00 in United States; \$6.50, Canada and Foreign.

When Parents Grow Old-Elizabeth Ogg-Public Affairs Committee, 22 East 38th Street, New York 16, N. Y. (paper) 25 cents.

Concession to Members(N.A.S.D.

We suggest to investors seeking a liberal return and potential growth

### SNAP-ON-TOOLS CORPORATION

CAPITAL STOCK

Report available

### Lerner & Co.

Investment Securities 10 Post Office Square, Boston 9, Mass. Teletype BS 69

